Austria ... Sch. 22	Indonesia .. Rp 3100	Philippines .. Pes. 20
Bahrain .. Din 0.650	Israel .... NS 3.50	Portugal .. Esc 100
Belgium .. BFr 48	Italy .... L 1800	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils.500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait ... Fils.500	Sri Lanka .. Rup 30
Egypt ... E£2.25	Lebanon . £L 50.00	Sweden ... SKr 8.00
Finland .. Fmk 7.00	Luxembourg LFr 48	Switzerland SFr 2.20
France .. FFr. 6.50	Malaysia . Rin 4.25	Taiwan .. NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia . Din 0.600
Greece .... Dr 100	Morocco .. Dh 6.00	Turkey .... L 500
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. ... Dh 6.50
India .. Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,225 — Tuesday May 5 1987 — D 8523 B

Kohl rejects rushed arms accord, Page 3

World news

Soviets expect missile treaty

The Soviet Union expects to sign a draft treaty with the US scrapping all medium and shorter-range nuclear missiles at the present round of Geneva arms talks, according to the Soviet chief negotiator Yuly Voronssov, who is also First Deputy Foreign Minister.

In Washington, President Reagan said the US would soon table a draft treaty in Geneva calling for a 50 per cent cut in long-range strategic missiles.

He said he had directed his Geneva negotiator to intensify efforts to reach an agreement. However, on the question of eliminating shorter-range missiles from Europe, the President said the Soviet Union had yet to provide important details on verification against cheating.

Johannesburg riot

South African riot police arrested 120 demonstrators and detained 13 foreign journalists at Johannesburg's Witwatersrand University after students ignored a ban on a meeting to be addressed by Winnie Mandela. Election, Page 24

Waldheim action

President Kurt Waldheim of Austria said he would take action against the US following its ban on him visiting the country. Austria's Government is to establish an historian's commission on his wartime activities.

Pope's freedom call

Pope John Paul, speaking in Speyer at the end of his five-day West German visit, denounced restrictions on religious freedom in Eastern Europe and called for the free exercise of worship there.

New Soviet reactor

A new type of water-moderated nuclear reactor is to be built in the Soviet Union. Atomic Power Engineering Minister Nikolai Lukonin said it would replace the graphite-moderated model used at Chernobyl.

Lebanese PM quits

Lebanese Prime Minister Rashid Karami announced the resignation of his three-year-old Government. Karami and other Moslem ministers had boycotted President Gemayel, a Maronite Christian, after he failed to endorse a Syrian-mediated Lebanese peace pact.

Barbie inquiry

French prison authorities in Lyons began an inquiry into how Klaus Barbie, the Nazi war criminal awaiting charges on crimes against humanity, gave an interview to a British newspaper.

Berlin security

West Berlin authorities increased police patrols and promised quicker emergency deployment plans following a weekend of fighting, looting and burning in which more than 50 people were arrested.

Narcotics optimism

US Secretary of State George Shultz told a Washington conference of drug enforcement officers he believed the US and other governments were making headway against international drug trafficking.

PLO condition

There would be no viable international peace talks on the Middle East without the participation of the Palestine Liberation Organisation, PLO leader, Yasser Arafat said in Kuwait.

Tourists warned

Khmer Rouge guerrillas in Kampuchea warned foreign tourists they would not be safe if they visited the famous Angkor Wat Ruins.

Fans grieve

Grieving fans of Egyptian-born singer Dalida, 54, laid wreaths outside her Paris home after she died of a drugs overdose. In 30 years 85m of her records were sold.

Business summary

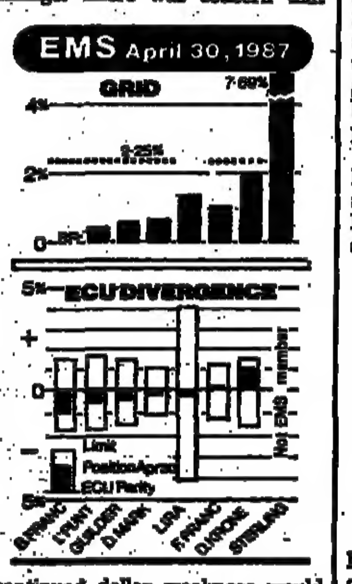
Threat to GEC bid for US contract

UK GOVERNMENT has lodged a vigorous protest over "Buy American" legislation in Congress which threatens to exclude GEC Marconi, British telecommunications group, from a $1.3bn contract to upgrade broadcasting equipment for the Voice of America radio network. Page 24

LONDON and **TOKYO** stock markets were closed for holidays.

WALL STREET: The Dow Jones industrial average closed up 5.82 at 2,286.22. Page 46

EUROPEAN Monetary System: Attention was focused on the meeting between President Reagan and Mr Nakasone, the Japanese Prime Minister last week and EMS currencies showed little overall change. There was concern that continued dollar weakness would boost the value of the D-Mark at a faster rate than other member currencies, ultimately placing a strain on the weaker members. Last week the Belgian franc was the lowest placed currency but was trading comfortably at 45 per cent of its maximum divergence spread. However, just three months ago, it was at only 21 per cent of its MDS.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

DOLLAR: In New York the currency closed at DM 1.7560, SFr 1.4455, FFr 5.9055 and Y138.55.

STERLING: In New York the pound closed at $1.6830.

HOLDERBANK Financiere Glarus, Swiss parent company of the Holderbank cement conern, is to pay an increased dividend for 1986 after a rise in parent company profits from SFr 44m to SFr 50.1m ($34.4m).

HUTCHISON WHAMPOA, Hong Kong-based conglomerate, announced revised terms under which it plans to split its subsidiary, the utility company HongKong Electric. Page 28

RHÔNE-POULENC, French nationalised chemicals group, expects to report higher earnings this year and next year as a result of the company's restructuring and the withdrawal from loss-making sectors, Jean-Rene Fourtou, the chairman, said. Page 26

MICHAEL KADOORIE, whose family has for more than 80 years controlled the HongKong and Shanghai Hotels Group which owns Hong Kong's prestigious Peninsula hotel, narrowly escaped being overthrown as chairman of the group as a major outside shareholder made a first move to exert his control. Page 26

SCHINDLER, Swiss lift manufacturing group, is raising its shareholders' dividend for the first time in seven years after booking a 5 per cent increase in consolidated net earnings to SFr 48.7m ($33m) in 1986. Page 25

Merrill reassigns senior management after $250m loss

BY ANATOLE KALETSKY IN NEW YORK

MERRILL LYNCH has replaced the senior management of its worldwide securities trading operations as a result of the enormous losses it sustained last month through the unauthorised trading of one of its leading bond dealers.

Mr Jerome Kenney, chief executive of Merrill Lynch Capital Markets, the company's rapidly growing investment banking subsidiary, and Mr Brian Barefoot, head of worldwide sales and trading, have both been relieved of all responsibilities for trading activities. These have been placed under the direct control of Mr Daniel Tully, the holding company's president.

The main loss, of $250m, was disclosed last Wednesday, when Merrill Lynch announced that it had suspended a trader who had taken unauthorised positions in the mortgage-backed securities market just before the recent collapse in bond prices.

A further revelation came late last Friday, when Merrill said that another dealer, this time in the high-yield department, had been dismissed for buying Texaco bonds without authority just before the giant oil company filed for Chapter 11 bankruptcy last month.

The Texaco bond loss came to only $10m, was unconnected with the mortgage-backed debacle and had nothing to do with the management shakeup, according to Merrill Lynch executives. Yet it undoubtedly intensified concern about the weakness in the firm's trading controls.

The decision to take control of the trading business away from Mr Kenney's Capital Markets group comes as an especially heavy blow to Merrill's whole corporate strategy and underlines the seriousness with which it views the trading losses.

Close integration of trading and corporate finance is currently seen on Wall Street as the key to success in the investment banking business, and Mr Kenney's performance in pulling these activities together under the Merrill Lynch Capital Markets umbrella had won considerable acclaim among investment analysts.

Capital Markets has also provided a growing proportion of Merrill Lynch's profits, as margins in the company's traditional retail brokerage activities have come under increasing pressure from discount brokers.

The management structure, if not the future, of this whole operation will now be thrown into confusion. Merrill said that direct control of trading by Mr Tully was only a temporary measure.

The company has launched a special review of its trading systems by two respected outsiders, Mr William Rogers, a former US Secretary of State, who headed the Government investigation into the Challenger space shuttle disaster, and Mr Irving Pollack, a former member of the Securities and Exchange Commission.

Merrill stressed yesterday that neither Mr Kenney nor Mr Barefoot, the two executives relieved of responsibility for trading, was directly involved in any of the unauthorised dealings, and both were continuing with the firm. However, they had accepted responsibility for the losses.

ICL poised to establish European joint venture

BY DAVID THOMAS IN LONDON

ICL, Britain's largest computer company, is planning to establish its first overseas manufacturing plant in Continental Europe and is negotiating its first joint production venture with a company there.

Both initiatives are central to ICL's plans to increase its presence in the European Community, which, in turn, is crucial to the company's objective of deriving more of its revenues from overseas.

ICL wants its revenues to be drawn equally from UK and overseas sales by 1992. Last year, 37 per cent of ICL's £1.19bn ($1.97bn) sales were made overseas.

In 1986, ICL's best sales performance abroad was in the European Community, where revenues were up 34 per cent at £170.8m.

Mr Tomo Razmilovic, head of ICL's international operations, said ICL enjoyed particularly strong growth in West Germany, France and the Netherlands.

ICL's main thrust in European countries is in minicomputers and in computing systems distributed throughout a department or an operation, because it lacks a large installed mainframe base in continental Europe.

However, ICL's turnover performance in other foreign countries was more patchy last year.

Sales fell 22 per cent to £50.6m in continental European countries outside the Community. Mr Razmilovic described this as a temporary problem mainly due to payments being held up from Eastern European countries.

ICL's sterling revenues from Australasia and South East Asia, and from the Americas, declined slightly last year because of currency fluctuations and tough conditions in the US market, Mr Razmilovic said.

He expects turnover to grow 10–15 per cent in most overseas markets this year, although in the European Community the increase may be between 8 per cent and 10 per cent, after the strong performance last year.

He also disclosed that ICL had a group studying the options for setting up an integrated manufacturing plant for hardware and software in Continental Europe.

"The company has a very aggressive policy on investment," Mr Razmilovic said.

He mentioned three countries foremost in the group's considerations: West Germany, where ICL has a development centre for computer integrated manufacturing; France, where it has a development centre for network systems and has penetrated the retail market; and Spain, where ICL is keen to expand its sales and where a plant might be eligible for European Community grants.

He said the decision, which he hoped would be made before the end of the year, might go in favour of having two small plants: one in West Germany for the manufacturing sector and one in France or Spain for the retail sector.

ICL was also negotiating its first joint production venture with a Continental European company, Mr Razmilovic revealed.

Mr Razmilovic said the venture, which he hoped to be able to announce within three months, would have both manufacturing and distribution elements.

Zambia's debt ceiling decision may strain ties with aid donors

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

ZAMBIA's decision to impose a ceiling on external debt payments and abandon a recovery programme drawn up with the support of the International Monetary Fund (IMF) could have serious repercussions for the country, economists and diplomats in Lusaka, the capital, said yesterday.

Although the immediate impact of the debt ceiling will be negligible because Zambia has for some time been meeting only a fraction of its debt service obligations, the move could jeopardise relations with aid donors and commercial lenders.

The decision was announced by President Kenneth Kaunda late on Friday night. The President said that, after deducting from export earnings the foreign exchange required to service the state-owned copper mines and the national airline – as well that needed to meet fuel and fertiliser imports – 10 per cent of the balance would be used to service the country's $5.6bn external debt.

Speaking in a national broadcast, President Kaunda said his Government's efforts since 1973 to implement IMF policies had led only to a fall in living standards and rising unemployment.

He blamed Zambia's economic crisis mainly on the combination of rising oil costs in the 1970s and a fall in the world price of copper, which accounts for more than 90 per cent of the country's export earnings.

Zambia now had to try an alternative economic strategy to the IMF programme, he said, appealing to aid donors "to see this as a charting out of another way that we think offers us a better chance of recovery."

The President also announced a price freeze, the introduction of price controls, and the abolition of Zambia's foreign currency auction, fixing the rate of eight kwachas to the dollar, up from 21 at last week's auction.

Further measures introduced yesterday included an end to personal foreign exchange allowances for holiday and education, and expatriates will no longer be able to remit part of their salaries. The President also announced the formation of a committee to supervise the allocation of import licences.

Economists and diplomats in the capital doubted, however, whether the President's measures would resolve the country's economic crisis, saying that efforts to reschedule the external debt would have to be suspended.

There is some sympathy for the President's predicament. It has become increasingly clear that he was finding it impossible to reconcile the demands of the IMF programme – notably tough limits to the budget deficit – with growing domestic discontent.

The President's new strategy appeared to have won popular support with a crowd of several thousand reported to have demonstrated in favour of the measures at a rally in Lusaka yesterday.

Analysis, Page 17

French steel groups announce merger

By David Housego in Paris

FRANCE'S troubled state-owned steel groups Usinor and Sacilor yesterday announced plans to merge and revealed heavy losses and further job cuts.

Mr Francis Mer, president of both groups, reported consolidated losses of FFr 12.5bn ($2.1bn) that reflect continuing heavy provisions for reductions in capacity and manpower.

But Mr Mer announced that operating losses had been cut to FFr 3.6bn last year – equivalent to 5 per cent of turnover – from FFr 6.2bn in 1985.

He said that the two groups would be merged retroactively from January 1 this year under a single holding company, thereby creating a unified nationalised steel company under the name Usinor Sacilor.

The aim of the merger is to strengthen co-ordination and strategic planning between the two companies, whose individual divisions have been increasingly working together.

Last year's combined losses – up from FFr 8.7bn in 1985 but below the peak of FFr 15.3bn the previous year – include FFr 4.2bn of restructuring costs. These cover a further 16,000–17,000 reduction in the workforce in the period up to mid 1988 from nearly 90,000 at the end of last year. They also cover the write off of plant and stocks involved in capacity reductions over the coming year.

Mr Mer, who was appointed with instructions to restore the industry's competitiveness and profitability, declined to be drawn on when it would move into the black. He said operating losses would be cut by a further 40–45 per cent this year and that the industry should have virtually completed its restructuring by 1990.

But he said that profit forecasts were blurred by the uncertainties of the international economic environment and by the weight of financial charges on the group's outstanding medium and long term debt of FFr 30bn. Financial charges last year amounted to 5 per cent of a combined turnover of FFr 72.2bn.

The newly announced job losses, come on top of a 25,700 cut in the workforce of the two groups over the last two years. Mr Mer said that further cuts in EC capacity would be needed to prevent a further erosion of prices – implying that France was also ready for its share.

But he called on the EC Commission to help European steelmakers to adjust by allowing governments

Continued on Page 24

Analysis, Page 2

Reagan faces new pressure over Irangate

BY LIONEL BARBER IN WASHINGTON

THE US Congress today opens three months of public hearings into the Iran-Contra affair which could threaten President Ronald Reagan's political comeback and uncover new evidence about the secret White House operation to arm the Nicaraguan Contra rebels.

The joint House-Senate sessions – the most important Congressional hearings since Watergate – are likely to produce revelations embarrassing both to President Reagan and to other foreign nations which gave money to the Contras during the Congressional ban on US military aid between October 1984 and October 1986.

Senator Daniel Inouye, chairman of the Senate select committee and a veteran of the Watergate hearings 14 years ago, repeated this weekend that President Reagan was more deeply involved in the Contra aid programme than he has so far admitted. This is the view of the vast majority of Americans, according to opinion polls over the past five months.

The White House, sensing the danger to Mr Reagan's recovery, has sought to create the impression of a newly envigorated leader who has put most of the scandal behind him. The 76-year-old President intends to make several major domestic and foreign policy speeches in the next few weeks and will make a high-profile visit to Venice to attend an international economic summit.

But Mr Reagan's busy image does not square with the detached role which his advisers are putting across when it comes to the Contra aid question. Both Mr Reagan and his advisers argue that the President was unaware that some officials, led by Marine Lt Col Oliver North, the sacked national security officer, were running an officially directed private aid network to arm the Contras during the Congressional ban.

On Sunday, a key player in the Contra aid network, former US ambassador to Costa Rica Mr Lewis Tambs, said all his actions were taken on specific orders from Government officials in Washington. He cited an inter-agency group chaired by Mr Elliott Abrams, Assistant Secretary of State, and attended by a senior Central Intelligence Agency officer and Lt Col North. The allegations were denied by spokesmen for the CIA and Mr Abrams.

The Iran-Contra hearings are already putting pressure on the Reagan Administration to modify its support for the Contras in their armed struggle against the leftist Sandinista government in Nicaragua. A key Congressional vote on whether to renew more than $100m of military aid comes up in September.

Continued on Page 24

Richard Secord profile, Page 2; Feature, Page 22

UK foreign exchange reserves increase

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government will today publish figures showing another sharp increase in Britain's foreign exchange reserves last month, reflecting intervention by the Bank of England to put a brake on sterling's rise against other major currencies.

The news, which will come against the background of a continued rise in the pound's value since last week's ½ point cut in base rates to 9½ per cent, is likely to intensify speculation that borrowing costs are set to fall again.

Yesterday sterling benefitted from a further fall in the value of the dollar, despite intervention by European central banks to support the US currency.

It is believed that latest reserves figures will indicate that Bank of England intervention in the markets in April was on a scale roughly comparable to that in March. In that month the reserves rose by an underlying $1.8bn, the biggest jump for 10 years.

The size of the intervention is understood to have been a key factor in the Bank of England's decision last week to sanction a cut in base rates.

The Bank is cautious about further reductions in interest rates because of its concern about the domestic monetary outlook. Rapid growth in bank credit and the broad money supply measure, sterling M3, and steep rises in house and other asset prices are seen as signalling inflationary risks.

Against that, however, the Bank acknowledges that allowing sterling

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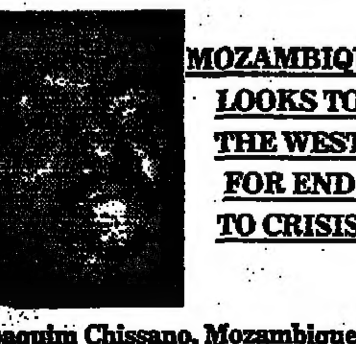

MOZAMBIQUE LOOKS TO THE WEST FOR END TO CRISIS

Joaquim Chissano, Mozambique's President, who begins a European tour. Background, Page 4

Brazilian calls grow for cut in Sarney's term

BY IVO DAWNAY IN RIO DE JANEIRO

LEADERS of Brazil's majority Democratic Movement Party (PMDB) met in Brasilia yesterday to discuss mounting pressure for direct presidential elections early next year as Brazil's political crisis entered its second week.

At the same time, a group of five "rebel" state governors from the impoverished North-east were holding talks in Recife on whether to withdraw their support from the administration of President Jose Sarney.

The threat to reduce the President's mandate increased markedly last week after rows over ministerial changes. First, Mr Sarney's choice to replace Mr Dilson Funaro, his Finance Minister, was rejected by the PMDB leadership, undermining the president's authority.

Then, his appointment of Mr Joaquim Francisco, a member of the junior coalition partner, the right-wing Liberal Front (PFL), as Interior Minister, provoked the North-easterners' rebellion. Mr Miguel Arraes, the left-wing governor of Pernambuco, publicly declared his withdrawal of support from the government on the ground that a PFL minister would channel development aid and projects away from the PMDB.

Rivalries between the parties are fierce in the region and domination of Sudene, the federal development agency run by the Interior Ministry, is viewed as a powerbase for building political support.

In Brasilia, several influential PMDB leaders are now openly advocating a reduction in the presidential term. Though this is currenly fixed at six years, taking Mr Sarney's mandate to 1990, Congress is empowered as a constitutional assembly to take the final decision.

The jockeying for ministerial appointments last week has led many politicians to conclude that Mr Sarney's authority is irreperably damaged by the fact that he was not elected, but inherited the post on the death of Mr Tancredo Neves, the president-elect, in 1985.

Mr Luiz Henrique, the PMDB leader in the lower house, has now called for a special meeting this week of the party's deputies and senators to discuss a national PMDB convention to define the length of the president's term.

Most senior PMDB officials now favour elections next year after the constitution has been drawn up. But there are differences over whether this should be early in the year or in November when municipal elections are due.

The PMDB left, with other left-wing parties, wants direct election as soon as possible and an end to a democratic alliance that allows the PFL seats in government. The centre and right are divided between a four, five or six-year term.

EEC in a jam over Spanish strawberries

BY TIM DICKSON IN BRUSSELS

THE European Commission found itself in a classic diplomatic jam yesterday thanks to better-than-expected strawberry harvests in France and Spain.

French farmers in the south-west are seeking EEC protection from the effects of large quantities of cheap Spanish strawberries which have been crossing the border in recent days.

"We calculate that Spain's strawberry exports to France are up about 30 per cent in the last week or two," a French official claimed last night.

Under the Accession Treaties governing Spain and Portugal, other member states are permitted during a transitional period to appeal to Brussels if agricultural exports from the two Iberian markets have a sudden and undexpected impact on their domestic market.

France protested formally on the issue last Thursday.

The EEC Commission, as an interim measure, called on the Spanish to impose restraint—an appeal which apparently was heeded over the weekend

OECD urged to focus on growth

By Philip Stephens, Economics Correspondent

EMPLOYERS and trade unions in industrialised nations have voiced concern at the slowdown in world economic growth and urged governments to re-establish higher growth and full employment as a key priority.

Their approach to the Organisation for Economic Co-operation and Development coincides with a move by the Paris-based grouping of industrialised nations to revise down its forecast of economic growth this year.

The OECD now expects the economies of its 24-member states to grow by around 2¼ per cent this year against the 2¾ per cent it was forecasting last December.

In a letter to Mr Jean-Claude Paye, OECD secretary-general, the business and union leader highlight three demands: governments should set in place policies that raise the growth rates of their economies above 3 per cent, rapidly increase employment and restore the manufacturing base of their economies.

The letter, from the Trade Union Advisory Committee to the OECD (BUAC) and the Business and Industry Advisory Committee to the OECD (BIAC), comes prior to next week's OECD ministerial meeting in Paris.

BIAC is an umbrella organisation for industrial and employers' groups, while TUAC represents 60m workers in industrialised nations.

Next week's meeting of economic and finance ministers had been planned to focus on agricultural subsidies. But the falling dollar, rising interest rates in the US and weaker growth in output outside the US have international economic co-operation back at the top of the agenda.

The US is expected to press for stronger commitments from Japan and West Germany on closer co-ordination of policies to prevent a sliding dollar and rising US interest rates from tipping the world economy into recession.

David Housego examines the restructuring of Usinor and Sacilor

French steel chief given free hand

WHEN Mr Francis Mer took over the running of the two French state-owned steel groups in the autumn last year, the main query over his appointment was whether he would be given the political go-ahead to carry through the potentially explosive cuts in capacity and manpower needed to make the industry competitive.

The answer that emerged yesterday with the publication of the 1986 accounts of Usinor and Sacilor, and from the first public statements of Mr Mer is that he has been given a freer hand than had been expected in a year preceding a presidential election.

A further 16,000-17,000 jobs are to go over the coming 15 months—the equivalent of 18 per cent of the workforce—thus reducing the group pay roll to 73,000. This is not substantially below the 20,000 being nervously mentioned in government circles a few months ago.

Mr Mer also made clear yesterday that he believed the European Community would have to cut capacity further if prices were not to be further depressed—and that by implication France was ready to bear its share.

France now seems prepared to reduce its hot-rolled capacity by a fifth or 2m tonnes as part of an overall Community roll-back to remove the 15m excess in the sector. It would do so by shaving output at its three integrated plants at Dunkerque, Fos, near Marseilles, and in Lorraine.

In long products—wire rod, beams and bars—which last year accounted for 60 per cent (FFr 2.2bn) of operating losses of Usinor Sacilor but only 23 per cent of turnover, cuts would probably have to run deeper. About 60 per cent of

Mer is cautious on forecasting when there will be profit

France's long-product capacity still comes from smelted ore which suffers a cost and technological disadvantage compared with electric arc furnace mills.

Over the next three years Mr Mer's strategy is thus to catch up with the top tier of Community steelmakers in terms of competitiveness and productivity. He believes that he has already done so in terms of hot-rolled coil by comparison with British Steel: in Dunkerque and Fos, France has two of Europe's most modern integrated steel mills.

But he is cautious in translating this improvement in the costs of French steel making into forecasts on when the industry will show a profit. He would go no further yesterday than to say that the picture should be clearer by 1990—in sharp contrast to Mr Jean Gandois, formerly the government's steel adviser, who said the two groups could be back in the black by 1989.

Mr Mer's hesitation stems from the international uncertainty over prices and demand that has left the Japanese and many West German steel makers in the red. But it is also due to the continuingly heavy cost to the French group of restructuring and to the weight of its financial charges which on a medium and long-term debt of almost FFr 30bn last year amounts to 5 per cent of turnover. By comparison, British Steel has financial charges equivalent to less than 2 per cent.

Hence Mr Mer's proposals yesterday that the European Commission should in future allow governments to help steel makers with restructuring costs through aid for the creation of jobs for those displaced by steel redundancies. Beyond that, Mr Mer hopes that it can put the steel industry back on its feet, then he can persuade the French Government to wipe off some of its long-term debt and reduce its financial charges.

The advantage in planning that he has over his predecessors in the French steel industry is to be at the head of both companies. Retroactively from January 1, this advantage is now to be consolidated by the formal merger of the two companies which will now be run by a single holding group.

Much of the footwork for this had been done through the linking of different divisions. But the formal merger will make it much easier to take a more overall view.

The immediate advantages that emerged from this yesterday were a slimmer investment programme—in contrast to the rivalry between the two groups that led to a duplication of investment in the past. Usinor-Sacilor will thus be investing about FFr 3bn a year over the coming years in contrast to an average FFr 4.5bn from 1984 to 1986.

Immediate gain is that investment will be slimmer

Also in an effort to improve its financial position, the group will co-ordinate plans to sell off assets and to bring more private shareholders into its profitable subsidiaries. Among subsidiaries in which shares will be offered to the public more widely or for the first time are Nozal and IMS, both steel trading companies, and Imphy, a former Creusot-Loire subsidiary.

Lionel Barber profiles a key figure in the US arms scandal

War veteran courts danger over Irangate

RICHARD SECORD, the retired air force major general scheduled to be the first witness in the Iran-Contra hearings which open today, is a 55-year-old former Vietnam combat pilot who has spent almost half his life engaged in covert operations.

A short, squat figure with an explosive temper, he is one of a handful of figures intimately involved in both aspects of the Iran-Contra affair: the secret US arms shipments to Iran and the private aid network for the Nicaraguan Contra rebels. His testimony could be crucial to prising open the scandal.

Until recently, Mr Secord, now an international arms dealer, had remained silent, invoking his fifth amendment rights against self incrimination. Now he is willing to testify before Congress even without a granting of limited immunity. Why the change of mind?

One easy explanation is that he had little choice following the congressional granting of immunity to his business partner and Iran-Contra confederate, Mr Albert Hakim. Once Mr Hakim agreed to talk, Mr Secord may have felt little was to be gained in holding out.

A second, more intriguing theory lies in his defiant character. After graduating from West Point in 1955, he sought some of the most dangerous and daring missions, during his military career. He flew more than 200 secret combat missions in Vietnam, he helped the CIA conduct its covert war in Laos against the Pathet Lao tribesmen in the mid-1960s; and he advised the Shah of Iran on how to build his air force.

He seemed to be on a fast track to the top until 1981 when newspaper and television revelations linked him to the rogue CIA agent, Mr Ed Wilson, now serving a 40-year jail sentence for selling explosives to Col Muammer Gadaffi.

Though he denied any wrongdoing, Mr Secord knew Wilson socially, flew his aircraft, and sold him a house. He was also a member of a CIA old boys' network of Wilson acquaintances who excelled at exploiting former public service for private profit, often in the international arms business.

Mr Frank Carlucci, then deputy Defence Secretary, and now President Reagan's National Security Adviser, offered to lift his suspension in 1983, but Mr Secord chose to retire and joined Stanford Technology, a Silicon Valley company which specialised in sophisticated electronics and related weaponry. According to a book by the best-selling author, Mr Peter Maas, Stanford—run by Mr Hakim—was also linked to Wilson, though Mr Secord has denied this.

Mr Secord knew Col Oliver North, the sacked National Security Council aide, through their joint successful effort to lobby Congress to approve the sale of the Boeing Awacs airborne early warning system. Knowing his continuing close connections with the Reagan Administration after his retirement, it is likely that he will argue that his roles in the Iran and Contra policies were approved from on-high.

Japanes car expo to EEC hit reco

By William Dawkins

JAPAN SHIPPED 381,200 cars to the first quarter of thi per cent more than period in 1986, the Commission said yes

The surge repr delayed arrival in t shipments held bac by exporters under stick to Tokyo's promise to the co keep car export gr per cent a year.

However, commiss are not yet convince explanation points t temporary advance. figures, from the Automobile Ma Association, are exp followed by a sharp Japanese new car r as shipments r showrooms.

This will open to q recent insistence Ministry of Internati and Industry that th shipments will be he cent again this year.

Yesterday's figure slackening from the growth of the first

Yet commission o mate that, even if J shipments stagnated of the year, the 1987 come out at between 80,000 vehicles ahead vious year's 1.1m.

In a separate mov an Italian car and t butor yesterday l court appeal against sion decision to allo impose tough contr ports of Japanese mercial vehicles.

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OVERSEAS NEWS

The W German Chancellor faces a balancing act, reports David Marsh

Kohl refuses to be rushed into arms deal

THE WEST GERMAN Government's painful state of indecision over the latest Soviet proposals to reduce nuclear missiles in Europe seems to have been accentuated by discussions between Bonn and Paris.

Mr Helmut Kohl, the West German Chancellor, repeated after talks with Mr Jacques Chirac, the French Prime Minister, in Strasbourg on Sunday that Bonn would be taking its time before making up its mantle European missiles of between 500 and 1,000 km range.

This would be in addition to scrapping missiles of 1,000 to 5,000 km range under the superpowers' zero-option for longer-range intermediate nuclear forces (LRINF) in Europe.

Mr Kohl's nervousness may have been increased by views within the French military leadership that the latest Moscow arms proposals could be a ploy to de-nuclearise Europe and so expose West Germany to far superior Soviet conventional and chemical weaponry.

Mr Kohl, whose leadership has been distinctly lack-lustre since he was returned with a reduced majority in January's general elections, is torn in several different directions by the latest Soviet suggestions on short range intermediate nuclear forces (SRINF).

He has to balance the electoral disarmament pledges of his Christian Democratic Union (CDU) party with the increasing protests of right-wing supporters that full-scale INF dismantling could be militarily dangerous.

Mr Kohl's willingness to heed the right of his party has laid him open to polite scorn from US officials in recent days. Washington accepts that West Germany's geographical position makes it particularly vulnerable to the Warsaw pact's conventional armies as well as to the shortest-range Soviet missiles which will be left after any INF deal.

But the US maintains that the large amount of Western nuclear weaponry that would remain in Europe after INF abolition—including the British and French independent deterrents as well as the tactical nuclear weaponry stockpiled in West Germany—would hardly add up to de-nuclearisation. And it points out that, having campaigned wholeheartedly for the zero-option in medium-range missiles since it came to power in 1982, the Kohl Government is likely to lose credibility if it places obstacles in the way of an accord just when the prize is within reach.

Helmut Kohl: Torn in several directions

Mr Kohl's address to parliament on Thursday on the latest arms proposals is not likely to clear up the ambiguities in Bonn's approach. The Chancellor, who has justified his hesitation on the grounds that Moscow has not yet detailed its latest ideas on an INF treaty, is expected at least to lay down the disarmament condtions which could be unacceptable to Bonn.

The points that Bonn rejects include introducing into the INF talks the 72 740 km-range pershing missiles stationed in West Germany which are owned by the German Air Force, with the nuclear warheads supplied by the US. Bonn has had preliminary talks with the US about modernising these weapons from the beginning of the 1890s.

Meanwhile, Mr Kohl's centre-right coalition has had another opportunity to indulge in public squabbling, with differences over the arms issue hardening in the past few days.

The junior coalition partner, the Free Democratic Party (FDP), has lined up behind Mr Hans-Dietrich Genscher, the long-serving FDP Foreign Minister, in backing proposals for dismantling the superpowers' European nuclear arsenals in both long and short-range missiles.

Right-wing politicians, led by Mr Alfred Dregger, parliamentary floor leader of the CDU and its Bavarian Christian Social Union (CSU) sister party, have renewed calls for Soviet disarmament in missiles of under 500km range, as well as in the conventional and chemical area. This must be the condition, Mr Dregger says, for disarmament in missiles of more than 500 km range.

Mr Franz Joself Strauss, the CSU leader, has resurrected his old idea of a joint west European nuclear deterrent, linking Bonn with London and Paris.

In the past few years of disarmament negotiations, Bonn's Allies have become used to West Germany's special and fluctuating sensitivities about becoming a battlefield for either a conventional or an atomic war in Europe. This time, however, a strong section of the ruling party in Bonn believes the disarmament proposals increase the likelihood of both types of conflict on West German territory, explaining why Mr Kohl's hesitations may take some time to resolve.

US to table long-range missile proposals

By William Dullforce in Geneva

THE US will shortly present the Soviet Union with a draft treaty providing for a 50 per cent reduction in long-range strategic nuclear weapons, Mr Max Kampelman, the chief US negotiator in the Geneva arms control talks, said yesterday.

His counterpart, Mr Yuli Vorontsov, the deputy Soviet Foreign Minister, expressed a different emphasis on his arrival yesterday for the resumption today of the bilateral talks. He was looking for a "full-fledged treaty on medium-range missiles."

In the past two months both sides have tabled texts of a treaty eliminating intermediate nuclear forces (INF) or medium-range (1,000 km to 5,000 km) missiles from Europe, with Moscow pressing for an accord this year.

To underline the urgnecy, the INF negotiators resumed talks on April 23, two weeks before the two other groups discussing strategic arms cuts and space defence.

But Mr Kampelman said yesterday that the target of a 50 per cent cut in strategic arms announced by President Ronald Reagan and Mr Mikhail Gorbachev at their meeting in Reykjavik remained a top priority for the US.

He rejected as without foundation a charge made last week by Mr Alexei Obukhov, the Soviet INF negotiator, that the US had backed away from the Reykjavik agreement by insisting on "sub-limits" for ballistic missile warheads.

It is clear, however, that the main obstacle remains Soviet coupling of an agreement on strategic missiles with a US undertaking not to deploy new weapons in space under President Reagan's Strategic Defence Initiative (SDI). The US saw no reason to hold the strategic talks hostage to any other results in the arms talks, Mr Kampelman repeated yesterday.

Mr Maynard Glitman, the INF negotiator, emphasised that the US was more concerned about "getting it right" than about how long the talks on medium-range missiles took.

Syria and Iraq 'in talks over reconciliation'

BY RICHARD JOHNS IN AMMAN

PRESIDENT Hafez al-Assad of Syria and Preident Saddam Hussein of Iraq — two bitter and apparently irreconciliable enemies—were reported yesterday to have held a secret meeting last week in what may signal an important move to heal divisions within the Arab world.

The meeting, supposedly convened after joint talks with King Hussein of Jordan and Crown Prince Abdullah of Saudi Arabia, were reported yesterday by the Kuwaiti daily newspaper Al-Qabas, quoting a high-ranking Saudi official.

Jordanian officials, while denying a similar report in the Washington Post as "Press rumours" and asserting that they had no knowledge of such a meeting, conceded that King Hussein has probably been persevering with efforts to reconcile the two leaders in a bid to end Syrian support for Iran in the Gulf War.

The Jordanian monarch will also want to achieve maximum backing in the Arab world for his efforts to convene an international peace conference on the Middle East.

King Hussein arranged a meeting last June between Vice-President Abdul-Halam Khaddam of Syria and Mr Tariq Aziz, Iraq's Foreign Minister, but it was cancelled at the last minute after a Syrian statement praising the Iranian revolution.

Al-Qabas said the meeting took place in the Al Jafra area near Jordan's border with Syria and Saudi Arabia and followed a visit by President Assad to Moscow.

Officials and diplomats in Amman believe Mr Assad may have come under strong pressure from Mr Mikhail Gorbachev, the Soviet leader, to have talks with his arch-enemy and support the reunification of the Palestine Liberation Organisation under Mr Yassir Arafat, its chairman and another sworn enemy.

In return, he is believed to have received a promise of substantial financial aid and Kremlin assent to a generous rescheduling of loans amounting to $15bn (£9bn).

● Mr Zaid Rifai, Jordan's Prime Minister, reiterated at the weekend an official denial of reports from Israel that agreement had been reached between the two countries over terms for an international conference on the Middle East.

Turkey announces plans for privatisation of companies

BY DAVID BARCHARD IN ANKARA

TURKEY yesterday announced proposals for privatisation, which is expected to begin at the end of the summer. Officials warned, however, that it would take several years to complete.

First, the Government is to sell its stake in 22 private companies. These include some of Turkey's best-known industrial names, including Arcelik, the white goods producer, Tofas, the Turkish subsidiary of Fiat, Turk Kablo, and the Black Sea-based Eregli iron and steel plant.

Petkim, a large state petrochemicals plant at Aliaga near Izmir, is to be transferred to the ownership of the Public Participations Fund. This is the first stage laid down in the legal process for privatisation and will be the first time it has been carried out.

A fund official said yesterday he expected the transfer to take place in the next few days or weeks.

Other state corporations to be privatised will include Usas, the Turkish airport services company, and a similar corporation in Istanbul, as well as five plants belonging to Citosan, the state cement corporation. Later, Turban, a chain of tourist hotels owned by the Tourism Bank and Sumerbank, a giant textiles and ceramics producer, may also be privatised. Both corporations are currently under study by Lazard Freres of the US.

The first stage of privatisation will be the selling on the Istanbul Stock Exchange of Government stakes in companies already quoted.

Two months ago the Government said it would sell its stakes in the local subsidiaries of Northern Telecom and ITT, Netas and Teletas.

There is some surprise that Petkim has been selected for privatisation now. It has been struggling in the past year to adjust to changed market conditions having been conceived and built before the liberalisation of the Turkish economy began under Mr Turgut Ozal.

Polish security forces in clash at Cathedral

By Christopher Bobinski in Warsaw

PLAINCLOTHES POLISH security men burst into the porch of Warsaw's St John's cathedral on Sunday evening in a bid to grab Solidarity demonstrators sheltering there from riot police arrayed outside.

The incident came after a service attended by several thousand people to commemorate the anniversary of Poland's first modern constitution, passed in 1791.

The day has traditionally become a Solidarity rallying point, alongside May Day.

The plainclothes men used tear gas and exchanged blows with the mainly young demonstrators for several minutes.

They dragged away some, but refrained from entering the main body of the church, where hundreds had sheltered.

Earlier in the day riot police dispersed about 1,000 demonstrators in Krakow in the south after a rally called there by the nationalist Confederation for an Independent Poland group.

Italian voters 'hope for renewed five-party rule'

BY JOHN WYLES IN ROME

A MAJORITY of Italian voters hopes that the general elections next month will lead to a reincarnation of the five-party coalition which has governed the country since 1983, according to a newspaper opinion poll.

Published at the weekend by the La Republica newspaper, the telephone-conducted poll appears to carry more comfort for Mr Bettino Craxi's Socialists and the other lay parties than for the two largest groups, the Christian Democrats and Communists.

With 54 per cent of the respondents hoping for a renewed five-party coalition, the poll suggests that Mr Craxi and Mr Giovanni Spadolini, the Republican Party leader, inspire greater confidence as potential prime ministers than any other possible heads of government.

In particular, a substantial proportion of voters seems to disagree with the judgment of Mr Ciriaco De Mita, the Christian Democrat Party secretary, that Mr Craxi is "untrustworthy." About 29.8 per cent judged Mr Craxi "most trustworthy" followed by 22.7 per cent for Mr Spadolini and 11.1 per cent for Mr De Mita, who even trailed behind the 12.8 per cent supporting Mr Alessandro Natta, the Communist Party secretary.

Italian fatalism about the outcome of elections was reflected in the 71.3 per cent who did not believe that the impending poll would change the political balance. But a desire for more influence over the actual formation of governments could be read into the 56 per cent who wanted to change the electoral system from proportional representation to simple majorities.

Meanwhile, a potentially dangerous element for all the established parties was confirmed at the weekend when a conference of the Italian environmental organisations decided to run a "Green" list in the elections.

Algerian president meets Hassan over Sahara dispute

BY FRANCIS GHILES

PRESIDENT Chadli Bedjedid of Algeria and King Hassan of Morocco—at odds over the future of Western Sahara—were meeting yesterday near the Moroccan town of Oujda under the aegis of King Fahd of Saudi Arabia.

The two last met in February 1983 in an attempt to settle differences over the future of the Western Sahara, a former Spanish colony, which was overrun by Morocco in 1975 and where guerrillas of the Polisario Front, backed by Algeria, have been fighting Moroccan troops ever since.

Relations between the two countries have been strained as heavy fighting has flared since last February when Morocco started building a new line of defence which would stretch the kingdom to the south and thus deny Polisario access.

Fear that the recent bout of fighting might engulf Mauretania has increased tension. Yesterday's summit should defuse that even if it does not provide a solution to a problem which has split the Organisation of African Unity and thwarted all progress towards north African unity.

OVERSEAS NEWS

Taipei cuts shoe exports to stop US backlash

BY BOB KING IN TAIPEI

TAIWAN SHOEMAKERS are to curb exports worldwide in an attempt to defuse protectionist sentiments in the US. But it is unclear when the restraints will begin or what range of producets will be covered.

The Taiwan Footwear Manufacturers' Association voted overwhelmingly for the limits, which would set 1987 exports at last year's levels.

Taiwan exported more than \$3.2bn (£1.9bn) of shoes worldwide last year, making footwear its third-largest export commodity after electronics and garments. About \$2.2bn-worth, or more than 60 per cent, went to the US, whose own footwear industry has lobbied long and hard for protection

Officials of the footwear association said details of the limits remained to be worked out. Under basic guidelines agreed last week, manufacturers would receive a quota based on their exports in 1986.

Thus the decision favours the larger, longer-established manufacturers over newcomers, whose exports last year were relatively small. It will also drive up prices of shoes by removing smaller competitors—a point underlined by US retailers.

Taiwan's foreign trade board appears to have distanced itself from the proceedings. Mr Vincent Siew, head of the board and Taiwan's chief trade negotiator, is said to be against the limits. Officials have said the board has yet to decide whether to support the measure.

Mr Robert Parker, a Taipei-based lawyer and head of the American Chamber of Commerce's trade committee, said the chamber would be likely to oppose quotas because *of its traditional support for* the principles of free and fair trade.

SHIPPING REPORT

Surge in Mid-East tankers causes ripple in market

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

A SPATE of Middle East shipments last week caused a flurry of interest in the tanker market. Elsewhere trade was quiet.

The surge was due mainly to *an Iranian decision to step up* liftings from Hormuz, with two ships taking off virtually half a million tons of crude oil.

Galbraith's, the London shipbroker, said rates amounted to Worldscale 27.5 for full options to Western destinations, Worldscale 29 for the Far East and Worldscale 31 for Singapore.

Demand for smaller 80,000-ton units also sharpened over the week, with 70,000 tons of crude fixed at Worldscale 105 for a Mombasa destination and 96,000 tons to Taiwan at Worldscale 80.

Rates continued to be reasonably firm from West Africa, with a sizeable amount of business. Nevertheless, E. A. Gibson Shipbrokers believes that an additional build-up in demand will be required to push prices much higher.

Italian charterers paid *Worldscale 47½ for a 146,000* ton cargo and Worldscale 61 for a 90,000 ton unit, says Gibson. For a voyage to the US, a 113,000-tonner was fixed at about Worldscale 60.

The Mediterranean market was relatively active, with demand particularly strong for 120,000 to 130,000 ton units. A 133,000-ton cargo from the east Mediterranean to Trieste realised Worldscale 55, while two 120,000 units were chartered for Italy at Worldscale 59 and 61.

In the dry cargo market, there were renewed signs of further Russian grain purchases from the US, which promise to give an extra boost to the summer market.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US\$m)

	Feb. 87	Jan. 87	Dec. 86	Feb. 86
US	17,959	17,982	17,328	14,283
Japan	46,963	46,693	37,657	23,19[illegible]
W. Germany	56,488	56,317	45,866	41,00[illegible]
UK	15,802	15,342	14,886	10,51[illegible]
Italy	22,022	19,426	18,116	13,259
Belgium	4,951	4,957	4,630	4,122
Netherlands	10,005	10,199	9,583	9,495
	Jan. 87	Dec. 86	Nov. 86	Jan. 86
France	26,728	28,428	28,222	23,836

Source: IMF

President Chissano visits London this week. **Victor Mallet** reports

Mozambique looks west and east

THE DIPLOMATS at the British embassy on Vladimir Lenin Avenue in Maputo are rather pleased. On his first trip outside Africa as Mozambique's new President, Mr Joaquim Chissano is visiting Western, not eastern Europe, and going to see the Iron Lady, Mrs Thatcher, and the Queen.

It may be going too far to call his British tour, from tomorrow until Saturday, "a slap in the face for the Russians," as one diplomat did, but it is certainly a sign of Mozambique's increasingly close military and economic ties with the West.

Although Mozambique is a Marxist-Leninist state following independence from Portugal in 1975 and its buildings are still plastered with old-fashioned revolutionary slogans, the ruling Frelimo Party (the front for the Liberation of Mozambique) has moved steadily Westwards over the past three years, first under the leadership of President Samora Machel, who was killed in an air crash last October.

Members of the Government like to play down the significance of recent ideological shifts, but many have been disillusioned by the poor performance of the state-controlled sector of the economy and the failure of their Soviet-equipped army to defeat the rebels of the Mozambique National Resistance (MNR). The guerrilla war, sponsored by neighbouring South Africa, has wrecked the economy and put a quarter of the population of 14m at risk from starvation.

During his visit Mr Chissano will be seeking increased military aid from Britain for Mozambique's ill-disciplined army. Since the beginning of last year British officers have been training Mozambicans in eastern Zimbabwe and the number of pupils on the 12-week courses is now being doubled to 120.

A private British defence company, with a quiet nod of approval and weapons export licences from the British Government, has won a contract in Mozambique and sent out half-a-dozen former members of the Special Air Service regiment to train a Mozambican elite force which will guard the railway from Malawi to the northern port of Nacala.

The Mozambicans hope that improved counter-insurgency tactics will succeed where 800 Soviet advisers and an array of tanks and MiG aircraft better suited for conventional warfare have failed.

When it comes to the rhetoric of global politics the Mozambican leadership still has one foot in the Soviet camp, but on the economic front it has begun embracing the West, welcoming foreign investors and the International Monetary Fund, privatising state companies and hiving off state farms to the family sector.

Mr Chissano's explanation of this phenomenon is that state farms and "the people's shops" were practical rather than ideological necessities. Portuguese owners fled in panic at independence and the state was obliged to step in for want of Mozambican entrepreneurs.

"People started thinking that it was a policy not to allow the opening of private shops," he said in an interview with the Financial Times. "There was reistance (to privatisation) from some civil servants who said that people should not open shops because they would become exploiters, capitalists and so forth . . . we said no, this is wrong."

So good are Mozambique's relations with Britain that while *other African leaders have* threatened to leave the Commonwealth over South Africa, Mr Chissano wants to associate more closely with it and expects his country to attend as a guest the next commonwealth summit in Vancouver in October. It is unlikely that Mozambique, a Portuguese-speaking country, would become a full member, although it is not a possibility which Mr Chissano rejects out of hand.

Mozambique depends for its survival on emergency food aid and on other forms of assistance, but cherishes its political independence. It has refused to allow the Soviet Union to set up military bases and will want to become no more beholden to the West than it is to the East.

The US Administration, hampered by right-wingers in Congress who want to support the MNR, sees a chance to make a new strategic friend in southern Africa, but Mozambique will doubtless continue to import much of its fuel and armaments from the Soviet Union and will stand by many of the socialist ideals which it developed in the early struggle against Portuguese colonialism.

JOAQUIM CHISSANO, (left), 47, became president last year after serving as Foreign Minister since independence in 1975. Urbane, multi-lingual and politically pragmatic, he was regarded as the natural successor to founding President Samora Machel, who turned increasingly to the West until his death last October.

Born in Gaza province in 1939, Mr Chissano went to study medicine in Portugal in 1960 but left for France the next year to pursue his anti-colonial activities. He was a founder member of the Frelimo liberation movement —now the ruling party— established in 1962, and was Prime Minister of the transisional government in the nine months before independence. He holds the military rank of Major-General.

Mr Machel was a joker, a populist who knew how to rouse an audience, while Mr Chissano is more of an intellectual. "I know my limitations," President Chissano says modestly. "So I have to take more of the contributions of my colleagues. We could see President Machel solving questions so quickly, while I have to take time to be sure. Probably that's the difference, which shows that he was brighter than me."

Nakasone trip to US draws mixed reviews

BY IAN RODGER IN TOKYO

THE OFFICIAL visit of the Japanese Prime Minister, Mr Yasuhiro Nakasone, to Washington last week has drawn mixed reviews in Japan. Reaction has been muted, however, because of a long holiday weekend that ends tonight.

Government and business leaders were relieved that some commitment was won from the US to try to stop the dollar's decline.

But opposition political parties regretted that no specific measures were agreed to solve the exchange rate and trade problems.

The Bank of Japan, which has bought about \$50bn (£30.3bn) in recent weeks in an attempt to stem the dollar's fall, welcomed what it saw as a commitment by President Ronald Reagan to defend the dollar.

A central bank official said the portion of last Friday's joint statement by Mr Reagan and Mr Nakasone concerning exchange rates was the result of a compromise. The Japanese side had to agree to the inclusion of a phrase noting the Japanese Government's commitment to "take extraordinary action" to stimulate domestic economic growth, including encouraging a reduction in short-term interest rates.

In return, the US agreed that "a further decline in the dollar could be counter-productive to their mutual efforts for stronger growth in their economies."

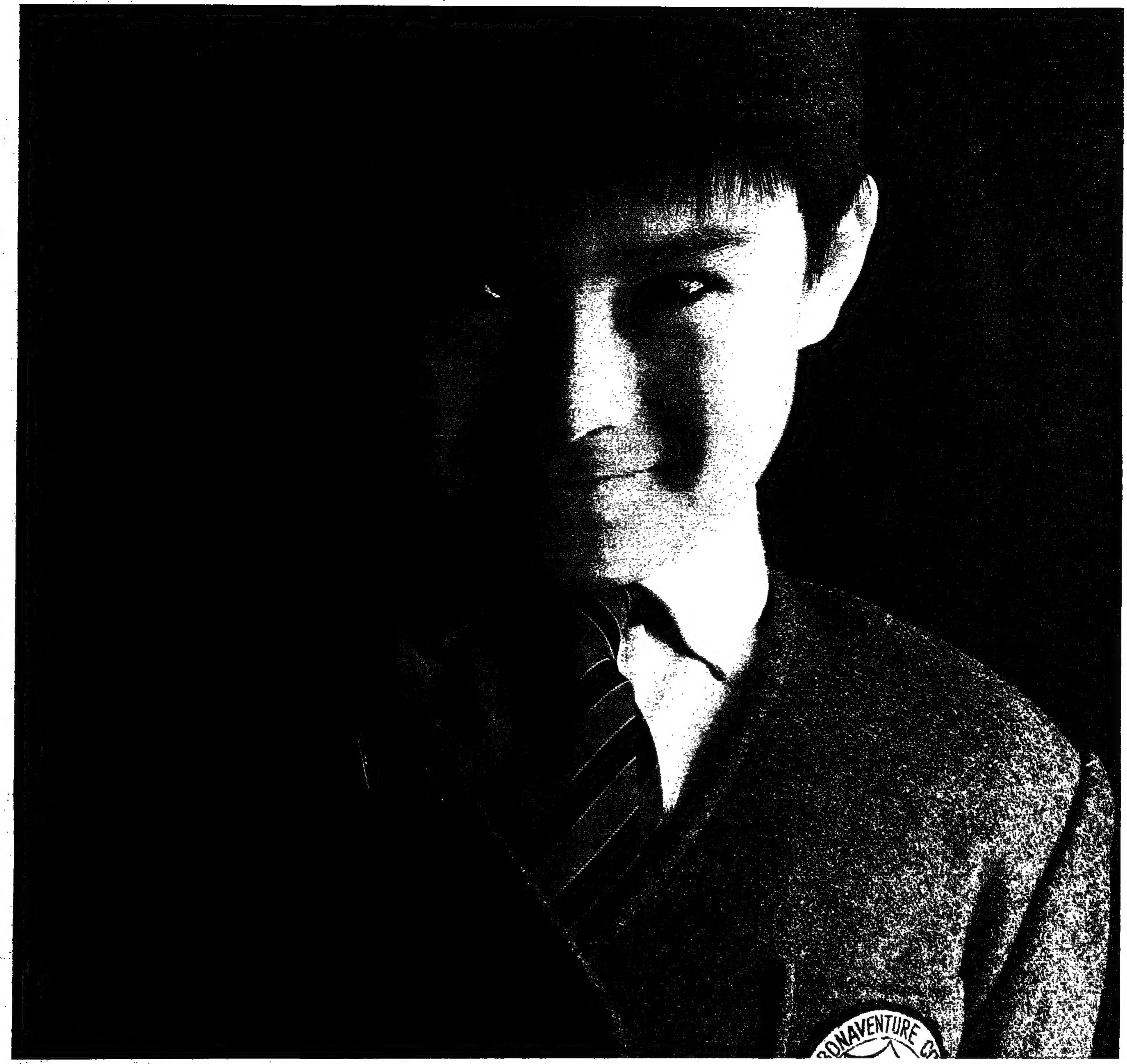
It was this statement that was seized on by Japanese business leaders anguished by the continuing rise of the yen. Mr Eishiro Saito, chairman of the Japan Federation of Economic Organisations (Keidanren), said the official visit had produced great results.

Mr Bunpei Otsuki, chairman of the Japan Federation of Employers Associations, said the agreement to prevent the dollar's fall was good news for Japanese industries.

The Japan Socialist Party, Japan's largest opposition party, said Japan had been made to shoulder heavy burdens and that the agreement on exchange rate stabilisation was "extremely abstract," containing no indication of what should be done to achieve stability.

Newspapers have been sceptical. The Mainichi Shimbun said the important thing was the long-term relationship between the two countries and it seemed unlikely that the visit had done anything to stem the cooling of that relationship recently.

The Yomiuri Shimbun, Japan's largest newspaper and one sympathetic to Mr Nakasone, welcomed the "awareness of the crisis at hand" expressed in the two leaders' joint statement, but was also sceptical about Mr Nakasone's claim that the mist had risen.



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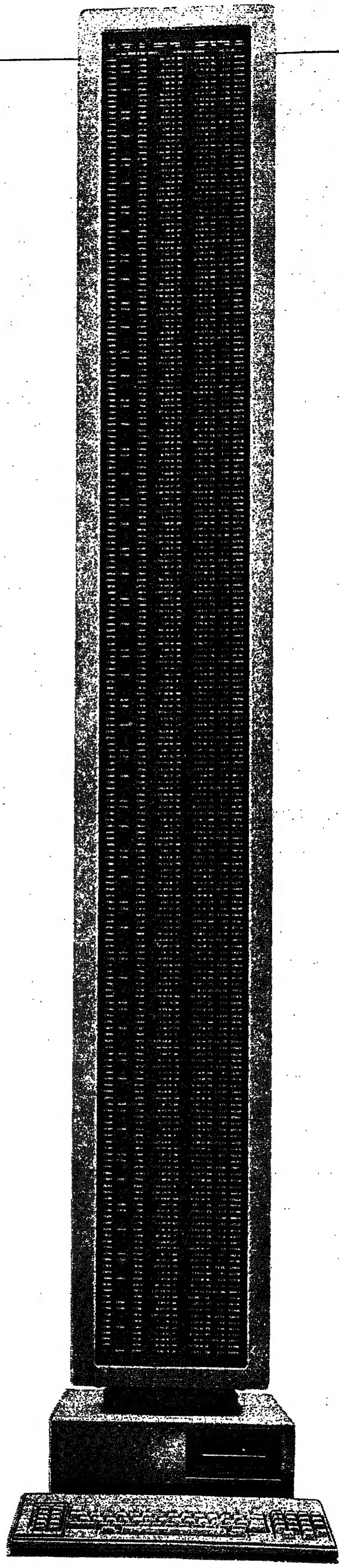


Egypt moves on exchange rate to satisfy IMF

BY TONY WALKER IN CAIRO

EGYPT has taken the first steps towards satisfying International Monetary Fund and World Bank conditions for balance of payments support and infrastructure loans under a new reform plan.

The authorities introduced energy price increases from May 1 of 60-85 per cent for fuel oil, kerosene, diesel and gas oil, but these items are still being sold at a fraction of world prices.

Banks this week are awaiting directives that will allow them to trade at a new rate that will more closely reflect the real value of the Egyptian pound against foreign currencies.

Egypt and the IMF have agreed on the gradual introduction of exchange rate reform over 18 months. The first step is to allow banks to compete freely in the market for foreign exchange.

The Egyptian pound has been held at an unrealistic level against foreign currencies, leaving a wide margin between official and unofficial rates thereby encouraging a booming "grey" market.

Bankers expect the new rate of the Egyptian pound, set each day by trading banks, to match that available in the market. Otherwise, they say, the new arrangement, which is aimed at drawing funds into the banking system, will be doomed.

The central bank, which will not be involved in setting the "free" market rate of the pound each day, is proceeding cautiously towards the introduction of the new measures.

Egypt does not wish to repeat the fiasco of January 1985 when ill-considered exchange reforms caused a crisis and helped bring about the downfall of the then minister of economy.

This time, unofficial dealers, who trade in \$2bn-\$3bn each year, will be able to continue their operations. There is no plan to squeeze these operators out just yet, according to a well-placed banking source.

An eventual aim may be to license dealers who maintain links with thousands of Egyptians working in the Gulf. But for the present, the authorities recognise that an attempt to close them down would be counter-productive.

An operations room is being established in Banque Misr, one of the four big public sector commercial banks, to co-ordinate the new foreign exchange system. A general manager of the bank will oversee its operations.

Remittances from Egyptians abroad, tourism receipts and private sector activities will be most immediately affected by the new "free" market rate which will involve a depreciation of the Egyptian pound from the present official rate of about E£1.35 to the dollar to about E£2.10 to the dollar.

Karami offers to quit as Lebanese Premier

BY NORA BOUSTANY IN BEIRUT

LEBANON'S Prime Minister, Mr Rashid Karami, announced his resignation yesterday, citing criticism of him by political figures and frustration at futile efforts to reactivate cabinet sessions.

Mr Karami said: "I am convinced that all that is happening runs against the interests of the Lebanese and all of Lebanon. It has become a duty to take a stand that would be for the benefit of this country."

If his resignation is accepted, Lebanon's 10-man national unity cabinet would have to step down. The Cabinet has not been functioning for the last seven months, as Lebanon's economic crisis has worsened.

Mr Karami, a Sunni Moslem, assumed his post on April 30, 1984, after the government of Chafiq Wazzan gave way to pressure from Syrian-backed factions opposed to the signing of an agreement calling for a phased Israeli withdrawal from South Lebanon.

The Christian militias have publicly pressed Mr Karami to resign after accusing him of boycotting Lebanese President Amin Gemayel and obstructing the normal process of government.

Mr Karami has repeatedly offered to resign and retracted his offers in the last three years. The race for new presidential elections is about to begin as the term of President Gemayel ends in September next year.

Aquino attacks Pentagon for reducing military aid

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino yesterday attacked the US for failing to comply with her request for military helicopters to fight the country's Communist-led insurgents and for questioning the Philippines' ability to use the equipment.

Mrs Aquino was reacting to comments last week from Pentagon officials who criticised the Philippine military's ability to use extra helicopters and service them. Last month visiting US congressmen said 10 gunship helicopters would be delivered in June, far short of the 45 extra machines that Mrs Aquino told air force officers yesterday that she had asked the US to supply.

"Our principle military supplier [the US] should not expect our brave soldiers and determined commanders to fight the insurgents with our teeth and hands," Mrs Aquino said.

The Pentagon has denied that the criticism was an official statement.

Supporting her demand for more helicopters, Mrs Aquino highlighted two recent incidents in which major patrols against the New People's Army guerrillas ended in rebel forces escaping unscathed.

There is growing frustration in Manila that the US is failing to back its verbal support for the Government with military assistance. The US Congress last month cut military assistance to the Philippines by half, to \$50m (£30.3m) this year.

Next week Mrs Aquino faces an important test of her popularity in the first congressional and senatorial elections since she took office 15 months ago. Suport for her chosen candidates in the armed forces is likely to be low, relative to the rest of the country, because many officers and men are unhappy with her handling of the insurgency.

Independence Day celebrations in Jericho

Defiant Israeli right on the march

BY ANDREW WHITLEY

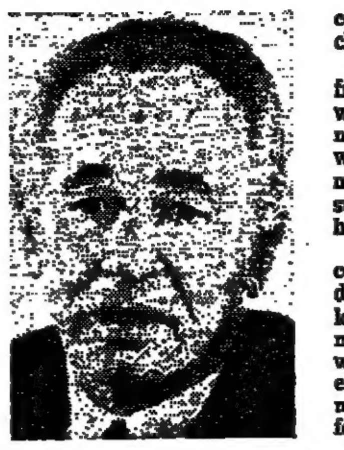
ISRAEL yesterday began its 40th year as an independent state, troubled and divided over what some are saying is an historic chance for peace with the country's Arab neighbours.

Most Israelis took to the roads, to go to the beach and parks, to picnic and barbecue. The more energetic went to a big airshow at Ben Gurion Airport, where the new Levi combat aircraft was put through its paces.

For the political right, though, it was a day to wave the blue and white Israeli flag defiantly in the occupied Arab territories. With Mr Shimon Peres, the Labour Foreign Minister, pressing hard over the proposed international peace conference, it was a golden opportunity for fiery speeches along predictable "no surrender" and "not one inch will we cede" lines.

Prime Minister Yitzhak Shamir at their head, the Likkud chose to celebrate Independence Day in Ariel, largest of the West Bank Jewish settlements. More provocatively, Gush Emmuim, the militant settlers' movement known as the "Bloc of the Faithful" organised a mass march through the ancient city of Jericho.

Right-wing Israelis such as Mrs Daniella Yweiss, secretary-general of Gush Emmuim, date back Jewish rights to Jericho – today a sleepy oasis near the Jordan river – and the time of the Prophet Joshua, 12 centuries before Christ, when the Israelites he led first took the town.



Mr Shimon Peres

"Jericho was very hard to conquer. We know that from Joshua," Mrs Yweiss shouted above the hubbub, as bus after bus disgorged supporters from all over Israel and the West Bank at the start of an eight mile symbolic march around the city.

"And once Jericho gives in, the whole country is easy to conquer. It's a very important door to our country, which we have to keep closed."

With this part of the Rift valley frequently mentioned as an area which could be handed back to Amman in the event of formal peace with Jordan, Gush Emmuim is even more keen than ever these days to stake Israel's claim to a permanent hold on the small Arab town.

But Jericho, the world's oldest continually inhabited town, predates Joshua and the Israelites by a long way. Its "tel", the ancient mound where its first protecting walls were built, goes back to the eighth millenium BC. Nor are there many traces left nowadays of the former Jewish presence.

As they set out from the dusty site of Herod the Great's once magnificent palace, the historic rights or wrongs seemed to matter little to the thousands of marchers. Babes in arms, automatic rifles on their shoulders, they retraced Joshua's steps, clapping, singing and waving the Israeli flag.

"It's a statement. We are saying we have finally got this place back and we're keeping it," said 18 year-old Lora Dukslaky from Chicago. "We're walking even though there are all those Arabs there."

Those Arabs were wisely keeping their heads down. Although the number of violent incidents has latterly been on the rise, Jericho has a reputation as a peaceful town where people keep their noses out of politics and trouble. Just in case, the army diverted the route of the march away from the town centre.

Watching the parade go past his garden gate, an elderly Arab civil servant in the local administration reflected on Mrs Yweiss's boastful statement that – contrary to the government's stated wishes – Gush Emmuim would like to settle half a million Jews in and around Jericho.

"It's Ramadan," he said, referring to the Moslem holy month of prayer and fasting. "I told the children not to cause any problems, to avoid breaking their heads and their father's heads."

An unexpected ally came in the shape of an Israeli farmer, a settler himself. Watching his Arab labourers pick ripening tomatoes in the fields next to the march route, he said: "We have a beautiful relationship with the Arabs here. This kind of thing makes for extremism on both sides."

A farmer for the past five years in this front line settlement, Zohar Peled, went on: "I think most Israeli Jews, given the choice between peace and land, would choose peace."

That judgment may soon be put to the test, if Mr Peres has his way.

Six blacks killed in S African mine fights

SIX BLACK South African mineworkers were killed and 20 injured in faction fighting near a gold mine at the weekend, the mine's owners said yesterday, Reuter reports from Johannesburg.

A spokesman for the General Union Mining Corporation (Gencor) said the clashes, involving about 120 people, were apparently sparked by a brawl between two men over a woman.

The incident took place outside Evander, 75 miles east of Johannesburg and close to the Kinross gold mine where 177 miners were killed last year in South Africa's worst gold mining disaster.

The spokesman said 20 people were in hospital in serious but not critical condition.

Production at gold mines in the area had not been affected and calm had been restored, he said.

Most black mineworkers live in single-sex hostels and fights between rival groups have claimed scores of lives.

Police halt speech by Winnie Mandela

By Anthony Robinson in Johannesburg

DOZENS of students were arrested at Witwatersrand University yesterday after police entered the campus to break up a meeting to be addressed by Mrs Winnie Mandela, wife of jailed African National Congress leader Nelson Mandela.

Police banned the meeting only minutes before it was due to take place as Mrs Mandela was being escorted to the hall to address black and white students.

Mrs Mandela was due to speak on the state of the country two days before Wednesday's white-only election, which has been called a farce by black opposition groups. The ANC leadership in exile has called on whites to boycott.

Riot police surrounded the hall and then charged students after eye witnesses reported that a brick was thrown at them. As they entered the hall, police were met by a hail of insults and students chanting "ANC, ANC." Police confiscated film from press cameramen at the scene.

The meeting, organised by the National Union of Students and the Black Students Society, was strongly critisized by the conservative National Students Federation.

UK NEWS

Companies increase overseas investment

Financial Times Reporter

BRITAIN'S TOP 40 manufacturing companies have increased their overseas investment and foreign-based workforces since the Prime Minister, Mrs Margaret Thatcher, took office in 1979, a survey by Labour Research discloses today.

The organisation, a trade union financed body not connected with the Labour Party, claims the spending overseas has been at the expense of the home-based workforce.

The shift has not been mainly to low-wage countries, but to those with expanding economies in North America and western Europe.

Labour Research claims the top 40 manufacturing companies between 1979 and 1986 increased their foreign-based workforces by about 15 per cent to 125,000. At the same time they cut their British employment by about 25 per cent to 415,000.

The chemical giant ICI now employs more people outside Britain the survey claims. In 1979 it employed 40 per cent of its workforce overseas, by last year the figure was 54 per cent.

Cadbury Schweppes increased the proportion of its work force based overseas from 29 per cent to 45 per cent and GKN.

The survey quotes the glass manufacturer Pilkington for reasons given for investing in North America and western Europe. The company's overseas employment accounted for 63 per cent of its total in 1986, compared with 34 per cent in 1979. Pilkington has said: "Through strategic investment in Europe and in the US, Pilkington has broadened the geographical base of its business, thus substantially reducing cyclical influences and improving the quality of its earnings."

Government set to limit defence research cash

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

THE GOVERNMENT is expected to announce a ceiling on future growth in military research and development (R & D) spending in its defence white paper (policy document) to be published tomorrow.

The move, entailing a slight decline in real terms in defence R & D in 1987-88, is a rewponse to growing criticism in recent years that Britain misdirects too high a share of research money into defence, and reflects Cabinet committee proposals in recent months that the civil sector should benefit more from government R & D funding.

The Ministry of Defence (MoD) has already announced that its R & D spending will total £2.35bn in 1987-88, or 12.49 per cent of an overall £18.78bn defence budget compared with £2.34bn spent on military R & D last year (12.58 per cent of a £18.6bn defence budget).

The effect in future years of the new constraint on the rate of increase in military R & D spending will depend on the present Conservative government winning the next general election.

But the move reflects a fairly widespread feeling that Britain has reaped relatively poor dividends by funnelling more than half its total government R & D funding into the defence sector which accounts for around 6 per cent of gross domestic product and three per cent of exports.

The examples always cited by those urging a reallocation of government research funding are West Germany and Japan. Less than 5 per cent of total West German research funding goes into defence, and less than 1 per cent in the case of Japan, whereas more than a quarter of all UK R & D funding (government and private) goes into making weaponry.

This share is broadly similar to that in the US and France, which, like Britain, are also nuclear weapon states.

The main impact of the new policy will bear on the advanced research, amounting to £398m last year, carried out by the 25,000 scientists and technicians working in MoD research establishments. MoD officials said yesterday the development, mainly by private industry, of specific weapons declared necessary for the UK services would still be funded as fully as before.

However, the officials said some results of the new, more parsimonious attitude to defence research spending could be seen in the Government's decision last month to withdraw from a Nato helicopter development programme and in its cautious response to new US proposals for allied weapon collaboration.

The MoD has not welcomed the pressure from other departments, notably trade and industry, for a wider share-out of limited state research funding, particularly in view of recent military R & D economies.

Over the past decade the ratio of military R & D to production has improved from 1:2 to 1:3, and the number of people working in MoD research establishments has declined sharply.

The MoD has also tried to encourage the commercialisation of the fruits of its R & D, particularly with a joint MoD private-sector initiative in 1985 creating Defence Technology Entreprises (DTE).

This organisation has direct access to a number of MoD research establishments and a brief to market any civilian spin-off to industry. But the results have not been dramatic so far.

Tomorrow's White Paper is, generally, not expected to contain many surprises, with the Government response to new Soviet arms control proposals yet to be co-ordinated with Nato allies and with any major new defance equipment decisions likely to be postponed until after the general election.

Barclays signs deal with estate agency

By Hugo Dixon

BARCLAYS BANK became the latest financial institution to move into estate agency when it signed a £375,000 agreement to sell financial services through the branches of a leading group of independent agents.

The link-up with Team Agencies is different from most such deals, however, because Barclays is not taking control. It argues it is getting many of the benefits its competitors have gained by buying agents without the capital outlay.

Banks, building societies and insurance companies have bought up networks of estate agency offices in recent years, consolidating what was previously a rather scattered industry and bidding up prices. Moving house is seen as an important time in a person's life-cycle when he or she can be sold all sorts of financial services.

The main element of the deal is that Team's 155 branches will act as a sales outlet for Barclays mortgages with a target of £150m sales in the rest of 1987. Team will receive a fee for processing and passing on applications.

In future, however, both Parties see Team's expanding network, expected to exceed 500 by the end of 1989, selling other Barclays services, such as bridging loans, personal loans, Barclaycards and savings products. Barclays is thinking of putting electronic terminals into the branches.

Barclays is paying £375,000 for a 3 per cent stake in Team and will nominate a director to its board. A joint logo is also being developed.

Mr Seymour Fortescue, a general manager of Barclays, said: "We are getting 155 captive estate agents for the price our competitors are paying for a single office."

The chairman of Team, Mr Richard Putnam, said that, as a result of the deal, "we have more or less our own, but independent, source for mortgages."

Team Agencies was set up last October with the backing of four leading insurance companies and Brown Shipley, the merchant bank, to provide financial services for estate agents operating under the umbrella of the Team Association.

Property taxes switch 'poison' for Tories in local elections

BY JOHN HUNT

THE GOVERNMENT'S proposed community charge to replace the present rates (local property tax) system – the so-called poll tax – is proving "poison" to the Conservatives' chances in the local government elections Mr Jack Straw, Labour's local government spokesman, said yesterday.

He was speaking at a press conference assessing the progress of the local election campaign where voting takes place next Thursday.

According to Mr Straw, evidence from canvassers shows that the community charge, which is assessed for each adult rather than on property value, is proving extremely unpopular with electors, particularly among young people.

He gave a list of figures showing the personal financial benefits that would accrue to Mrs Margaret Thatcher, Prime Minister, and other ministers under the new system compared with the present method of rating.

Mr Straw estimated that Conservative Cabinet ministers stand to gain an average of £40 a week under the community charge whereas a three-adult household in Barnsley, South Yorkshire would pay an extra £10 a week.

He said that Mrs Thatcher would be £1,931 a year, or £37.13 a week, better off on her retirement home in Dulwich in South London. At the moment, he said, she would pay £3,067 in rates compared with £1,136 under the community charge. The new charge would be £568 each for herself and her husband.

A statement by the party denied weekend reports that some trade unions were refusing to contribute towards its general election fund. Mr Whitty said the party had last week approved a £3.5m campaign for the general election.

● Mr David Steel, the Liberal leader, yesterday claimed that the Labour Party was "riven by internal strife and widely pilloried for its appalling record in local government."

He claimed that the Alliance was the main challenger to the Tories in most English constituencies and was poised to gain several Labour seats in the general election.

Campaign trail, Page 11

THE TRUE SPIRIT OF ENTERPRISE IS STRONGER THAN EVER.

THE 1987 ROLEX AWARDS FOR ENTERPRISE

The Rolex Awards for Enterprise were conceived in 1976 to provide help and encouragement in breaking new ground in the fields of Applied Sciences and Invention, Exploration and Discovery, and the Environment.

Since 1976, Rolex has awarded 20 individuals who have demonstrated a remarkable spirit of enterprise and commitment in their fields of endeavour.

An international panel of judges, in granting the Awards, has helped to bring to fruition many projects that might otherwise not have been realised.

Each of the five current winners, announced in Geneva on 30th April 1987, has received 50,000 Swiss Francs. Also, each winner has been presented with a specially inscribed gold Rolex Chronometer, itself a symbol of enterprise and achievement.

MEDICAL AID FOR THE INDIAN OCEAN ARCHIPELAGOS.

JACQUES AUTRAN

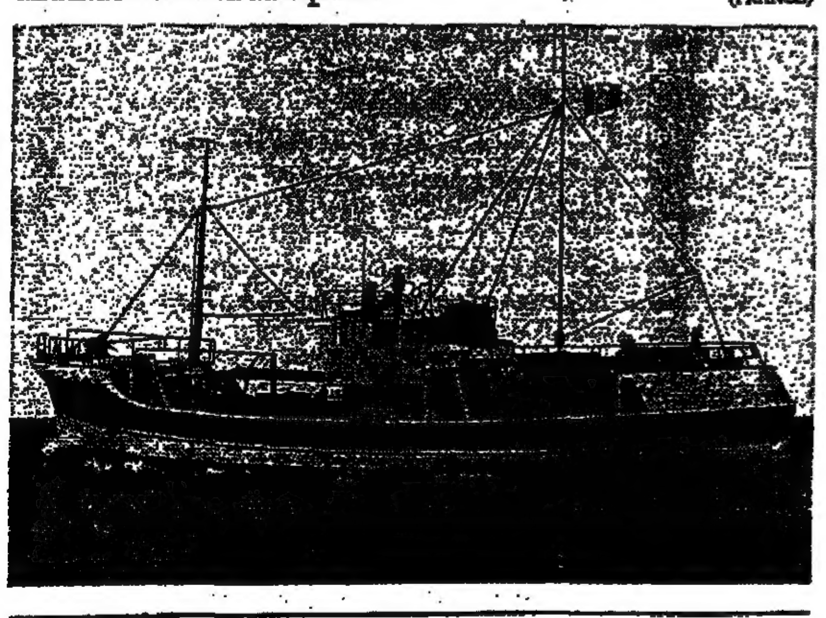
To people cut off by the sea, a medical emergency is an emergency indeed. The islanders of the Maldives archipelago in the Indian Ocean, for example, may have to travel five days by boat to see a doctor.

Jacques Autran and his colleague, a doctor, understood the problem from years of navigating in various archipelagos. Their first step was to set up Marins sans Frontières. Their second was to acquire an appropriate boat. They found it: the *Listaos*, a motor fishing vessel, bought for her worth as scrap metal.

It took four years to clean, rebuild and equip the *Listaos*, using volunteers and salvaged materials. She now carries a small operating theatre, a pharmacy with cold storage for vaccines, and a well-equipped laboratory.

Listaos will anchor off a Maldivian island reef, where doctors and nurses will set up a light dispensary on shore. Local health workers will then be trained to continue the work when the *Listaos* has sailed on, perhaps to Madagascar or the Mauritius archipelago – wherever island dwellers need Autran's imaginative and humanitarian enterprise.

J Autran (FRANCE)



CREATING SEABIRD COLONIES.

STEPHEN KRESS

Stephen Kress began his Seabird Colony Creation Project to restore Atlantic puffins to a former breeding site. The puffins, once common in the Gulf of Maine, had been hunted to extinction on certain islands in that region. Kress believed that these birds were the ideal model for developing techniques to restore endangered species.

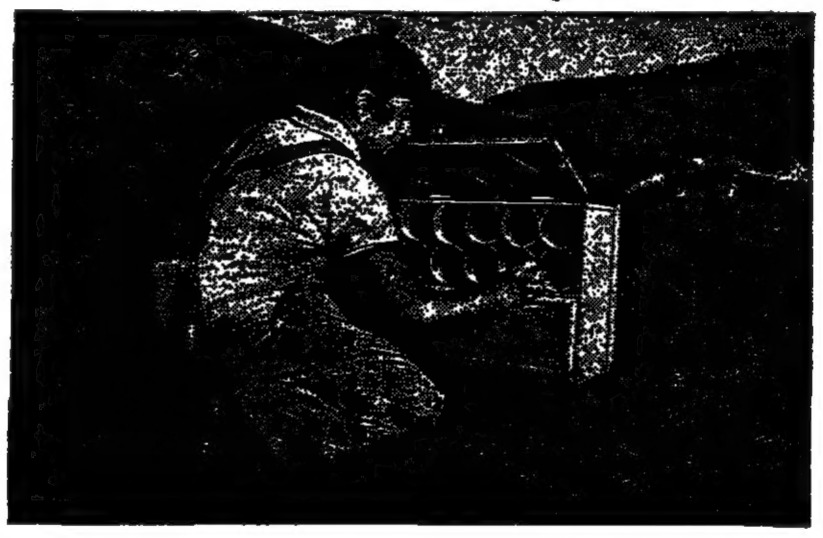
The key to his plan lay in the tendency of puffins to return to their birthplace to breed (natal site tenacity). This tendency, he later demonstrated, is learned during late chick development but before breeding begins. Could endangered species be lured to safe breeding sites by natal site transfers or attraction to new islands?

Using wooden decoys, four-sided mirror boxes and recorded courtship calls, Kress has recolonised former Atlantic puffin and Arctic tern breeding sites. The project has also worked with Leach's storm-petrel, using recorded courtship calls and artificial petrel burrows.

Kress can now start recovery programmes for endangered species, such as the short-tailed albatross of Japan.

He looks forward to sharing his success with others concerned with disappearing seabird life around the world.

Stephen W. Kress (USA)



A SYSTEMATIC STUDY OF NEPALESE GROUND BEETLES.

PIERRE MORVAN

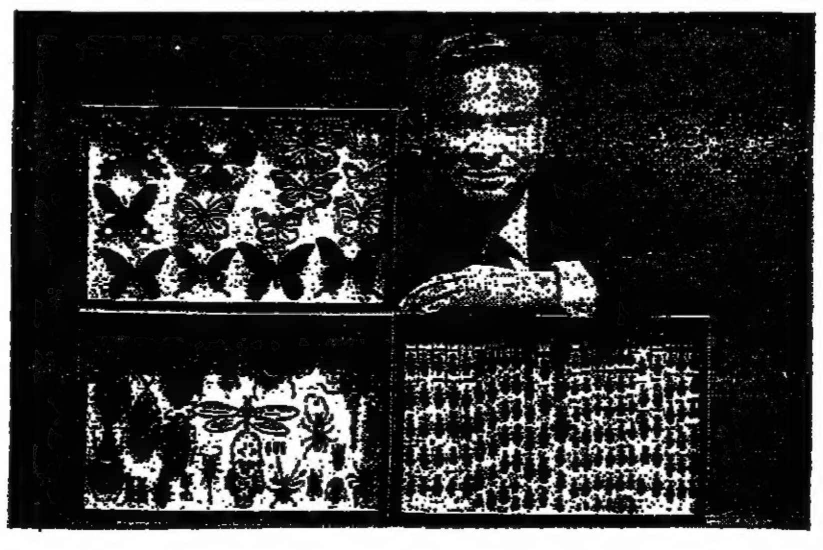
Few entomologists are able to collect their insects from high mountain regions. But Pierre Morvan is a veteran mountain climber who practises wrestling to keep fit. As the number of professional entomologists declines, competent amateurs such as Morvan play an increasingly important role. His achievements are the more remarkable because he finished his schooling at the age of fourteen.

The processes that help to form biological species (speciation) are Morvan's special interest, with particular reference to ground beetles. Speciation is the result of an animal population's becoming isolated by some factor, usually geographic in the first place. Once geographically isolated, a population group will develop its own specific characteristics.

For these reasons, the most valuable studies are done where the ecology and topography are highly varied and where there is a species that readily changes its form. Morvan's speciality, the ground beetles (Carabidae), meet these criteria well.

His project is to study a subfamily of the Carabidae that undergoes intense speciation. His chosen site is the southern Himalayas, where the density of geographic isolation factors is high but knowledge of the fauna is still limited.

(FRANCE)



A BUDDHIST PERSPECTIVE ON NATURE CONSERVATION.

NANCY NASH

Nancy Nash believes it is not enough to focus on biological problems and technical solutions in response to the world's crisis of disappearing nature. She feels that we are overlooking the cultural and social factors which have not only created the problem but which could also help provide a long-term solution to it.

The need for an environmental ethic caused Nash to consider Buddhist teachings, which seek to instil respect for all forms of life.

Thailand, for example, has a high percentage of Buddhists in its population. Yet the country suffers seriously from deforestation and has been stripped of almost 75 per cent of its vegetation in the last 40 years.

Under Nash's initiative, and with the full co-operation of the Dalai Lama, Buddhist groups are now studying their own scriptures for references to the interdependence of man and nature. Their findings will be used in educational books and films acceptable to the hundreds of millions of Buddhist faithful.

The Thailand project, reaching beyond the influence of governments and secular organisations, will serve as a model for other lands and other faiths.

Nancy Nash (HONG KONG)

EXPLORING SACRED RUINS HIGH IN THE ANDES.

JOHAN REINHARD

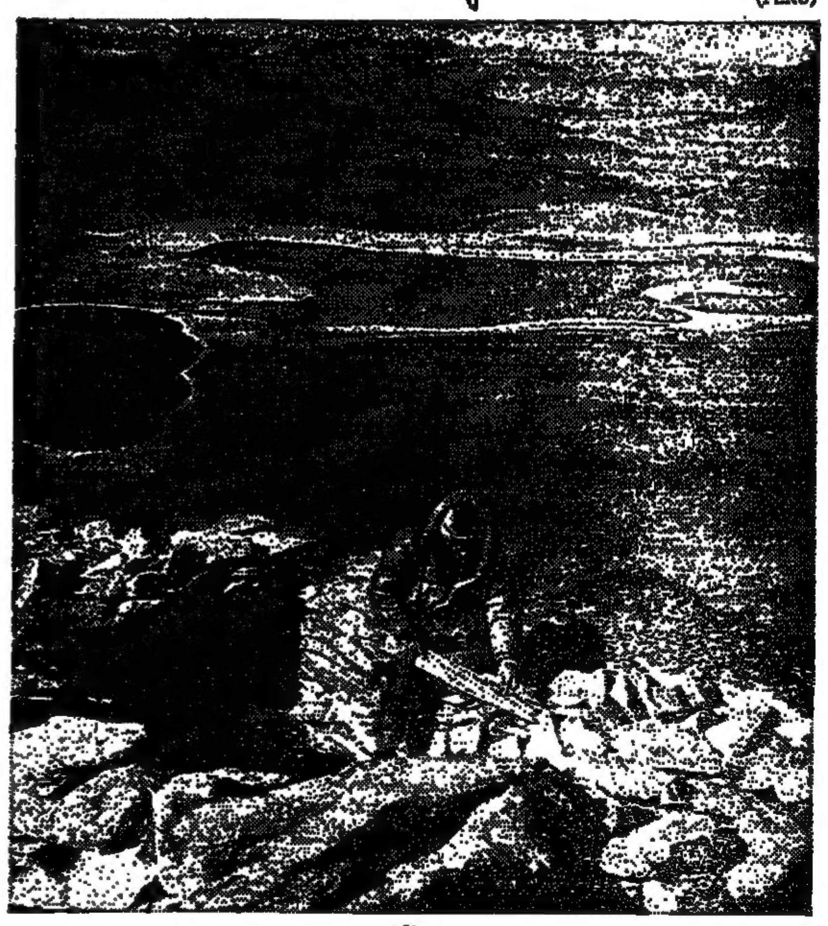
The world's highest ruins by far are found in the southern Andes. Nearly one hundred sites, predating the Spanish invasion of 1532, have been found above 5,200m – with some well-built structures up to 6,700m. They constitute one of the most awesome accomplishments that have survived from ancient times.

Being almost inaccessible, only a few of these sites have been examined by anthropologists. Their origins, distribution and purpose were largely conjectured before Johan Reinhard began work in 1980. He has developed a subfield of anthropology, called high-altitude archaeology. Strangely, diving is one of his specialised techniques, for mountain lakes were often perceived as doors into the mountains where the gods dwelt.

Reinhard's findings indicate that mountain gods were believed to control the weather and, consequently, crop and animal fertility. The hypothesis – which his project is designed to test – is that the Incas built the sacred sites to help increase production, thereby strengthening the Inca state and its religion.

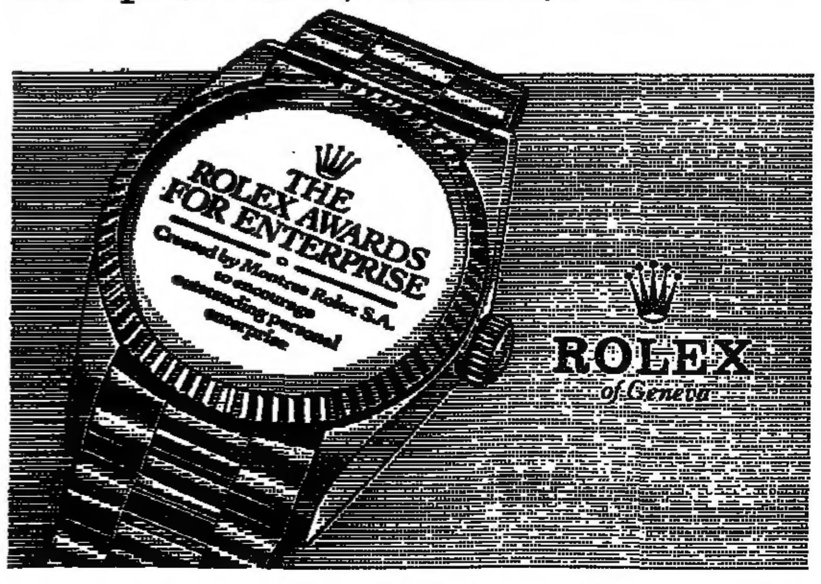
Reinhard's pioneering techniques in high altitude archaeology will greatly increase understanding of traditional Andean religio-economic beliefs and ancient religious sites.

Johan Reinhard (PERU)



A book about The Rolex Awards for Enterprise will be available in the spring of 1987, either from bookshops or from the publishers, Van Nostrand Reinhold. It will give full details of the projects of the five Laureates as well as 238 other projects selected from the many submitted, including 32 that were accorded Honourable Mentions.

Further information about The Rolex Awards for Enterprise is available from The Secretariat, The Rolex Awards for Enterprise, PO Box 178, 1211 Geneva 26, Switzerland.



UK NEWS

Daf British truck unit 'not assured of success'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE NEW Daf Trucks company, enlarged by the recent acquisition of Leyland Trucks in the UK from the state-owned Rover Group, is by no means assured of a rosy future, the DRI Europe forecasting group suggests today.

Daf, 60 per cent owned by private interests in the Netherlands and 40 per cent by Rover, is over-optimistic in hoping for a stock exchange flotation in two or three years' time, says Mr John Lawson, DRI's managing director.

"The financial markets will want to see much more evidence than has been available so far before it will be willing to put up money for a truck company."

Although in Britain Daf starts with heavy truck market leadership – a share of nearly 25 per cent – the almost inevitable result of merging the two dealer networks will be a loss of market share, DRI points out in its latest European truck forecast report.

Iveco Ford, formed last year by Fiat and Ford of Britain, Daimler-Benz and Renault all expect to benefit in Britain from the temporary hiatus caused by the Daf-Leyland merger.

Mr Lawson predicts that Daf will rapidly integrate the two present product ranges and in the longer term "the question of local content and what constitutes a British truck may become a problem".

The "erosion of Leyland's truly British image" will help boost the standing of the trucks Renault builds at its UK factory in Dunstable, Bedfordshire, he points out.

There has been no convincing explanation of why the Freight Rover van business was included in the deal with Rover, says Mr Lawson.

Freight Rover is a minnow in the European van industry with a two-shift capacity of 40,000 (production last year was about 19,000 Sherpa vans) compared with 100,000 each for the sector leaders: the VW Transporter, Ford Transit and the Franco-Italian Sevel range.

The current Sherpa van range has only two or three years of life left and a replacement is urgently needed. Daf has promised to send more than £75m on a replacement over the next five years but, says Mr Lawson, a wise company would restrict annual development expenditure to about 6 per cent of Freight Rover's £150m a year turnover.

It also remains to be seen whether either Daf or its dealers in Continental Europe can make profits from the sale of Leyland's Roadrunner medium truck and the Sherpa van, special versions of which were launched through the Dutch company's distribution network at the beginning of this year.

On the European truck industry's prospects, DRI suggests demand for heavy commercial vehicles (over 15 tonnes gross weight) will rise slowly and steadily to 1991, but the outlook for lighter vehicles is less positive. Cyclical fluctuations can be expected but little sustained growth.

"European Trucks Forecast Report" £1,600 from DRI, 30 Old Queen Street, London SW1H 9HP.

Company failures show a sharp fall

By Hugo Dixon

COMPANY LIQUIDATIONS and bankruptcies fell sharply in the first quarter of this year, according to figures released last week by the Department of Trade & Industry (DTI).

However, this cannot be taken as an improvement in the underlying picture because of the distortion caused by the implementation of the 1986 Insolvency Act at the end of last year.

There were 3,044 company liquidations in the first quarter of this year, on a seasonally adjusted basis, the lowest figure since 1982 and down from the 3,655 recorded in the previous quarter. Of these, 1,037 were compulsory and 2,007 creditors' voluntary liquidations.

There were also 1,641 bankruptcies on a seasonally adjusted basis. This is down from 1,754 in the last quarter of 1986. However, the DTI warns that the change in the law is likely to obscure trends in insolvencies for at least the first half of this year. This is partly because of unfamiliarity with new procedures, and partly because petitions for winding up companies may have been brought forward so they could be processed under the old legislation.

One innovation of the Act was the administration order, a new class of insolvency order used when the company concerned has a reasonable chance of turning itself around. There were 44 such orders in the first quarter of this year.

Output lifted at Leyland factory

BY OUR MOTOR INDUSTRY CORRESPONDENT

LEYLAND-DAF is to lift truck output at its Leyland, Lancashire, truck plant from 41 to 46 a day, Mr Cor Baan, deputy chairman of Daf of the Netherlands, said. This would increase output this year by about 1,000 to 11,500.

The extra volume was mainly required to meet increased demand for the Roadrunner medium truck through Daf's dealer network in continental markets which began to sell a special version early this year.

Mr Baan said that the new company's objective was to have a single, harmonised truck range throughout the weight spectrum. But this would take time and in the short term – at least 18 months – the current Leyland and Daf vehicles would continue to be available.

He also confirmed that the new Daf company would be profitable in its first year of operation.

Builders 'on three-year growth path'

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BRITAIN'S construction industry is set for three more years of growth with output rising in real terms to 9 per cent above 1986 levels by 1989 according to an industry review from analysts Savory Milln.

This futher growth is predicted on top of what are already record levels of activity, with workloads at the end of 1986 standing at the highest point since 1973.

"The rate of growth will be fastest in 1987 and will slow down in the two following years," said Ms Judith Fox, Savory Milln building analyst. "This year will be the peak for growth but not for activity as workloads will stay at high levels but grow more slowly."

The main growth sectors predicted by Savory Milln are private sector commercial work, and new shops and offices construction. "There is evidence of a very spectacular amount of work on order in response to burgeoning City of London and allied demands for highly sophisticated space. But we think that this is a precursor to some readjustment, and that when unrestrained competition has taken its expected toll, office building orders will reduce sharply in 1988 and thereafter."

New shop building however is expected to remain buoyant as a result of high consumer expenditure. It is forecast to rise by 8 per cent in 1987 with a further increase in 1988. After a steady downturn in new industrial building over the last year following the phasing out of capital allowances Savory Milln is now more optimistic about the outlook for this sector. It suggests that "the distortion in tax changes will continue to work its way out of the cycle in 1987, and the underlying trend of industrial building revival will reassert itself in 1988."

The major imponderable for this sector is the Channel tunnel, Savory adds, but if construction starts in late 1987 as it should industrial workloads are predicted to rise by 6 per cent this year another 6 per cent in 1988 and a further 4 per cent in 1989. The report is less optimistic about the outlook for private house-building which is currently running at its highest level since 1973.

"Continuing favourable conditions will support the high level of completions in 1987, but we consider that the house building boom is nearing its peak and that the first signs of a downturn can be expected to show through in 1988."

UK NEWS

Peter Riddell reads the signals from the political camps

Poll indicators reassure Tories

AS CONSERVATIVE party leaders face the critical week for deciding the date of the general election, the message being received from the constituencies and the opinion polls is generally, though not completely, reassuring.

Party support appears to have firmed up in the past couple of months, and is certainly higher than at last year's district council elections. This applies particularly among working-class and lower middle-class voters in southern England, although support remains somewhat soft among the professional and public sector middle classes.

The accompanying table of the average of the main polls so far this year shows how Tory support has strengthened over the past month, with Labour stabilising and possibly beginning to pick-up.

Most significant for the Tories, the Alliance bandwagon of March and early April has been halted and its support is slipping in the absence of the publicity generated by its Greenwich and Truro by-election successes. On the assumption of an even nationwide spread, the latest figures imply an overall Tory majority of about 90.

The position is similar in some respects to what happened before the 1983 campaign when the Tories enjoyed a clear lead in face of a divided opposition. Then, a Mori poll before the local elections put the Tories at 45 per cent, against 30 per cent for Labour and 23 per cent for the Alliance.

Now, the figures in a similar Mori survey are 44, 31 and 23 per cent respectively.

There are, however, significant differences. The Tories' high level of support and lead is less well-established now than four year ago, and one survey, Marplan, has consistently put the Tories at below the 40 per cent level needed to be sure of a clear overall majority.

Moreover, there is evidence of some volatility, or fluidity, in support. Despite its recent decline the Alliance is likely to start the campaign with a rating several percentage points higher than in 1983.

A thorough statistical analysis of the election prospects published this morning by Goldman Sachs looks at the possibility of a take-off in tactical voting or differential swings by region. But it concludes that there is no evidence of "deviations from uniform national swings occurring in any systematic way in the regions, or the marginals; and there are strong reasons for doubting whether anti-Conservative tactical voting for second-placed Alliance or Labour candidates will be of more than limited importance on a *seat-by-seat* basis.

Opinion Polls (Average of main national surveys)

	Cons	Lab	Alliance
Jan	40	38	20
Feb	38.5	37	23
March	39	32.5	27.3
Apr(early)	40	29.8	27.8
Apr(late)	42.2	30.6	24.1

As a result, the analysis maintains that "Mrs Thatcher will enter the compaign an overwhelming favourite to win a comfortable working majority.

"However, it is not totally impossible for circumstances to develop in which the Conservatives could struggle to win an overall majority. A direct swing of only three percentage points away from the Conservatives to either Labour or the Alliance could produce a hung Parliament."

The central question for Mrs Thatcher is whether she believes the current level of Tory support, varying between 39 and 44 per cent in recent surveys, is high enough to absorb a possible three to four-point drop during the campaign and still ensure an overall House of Commons majority.

The message from Thursday's district council elections may of itself be ambiguous given the established tendency for voters to be more favourably inclined to Labour in local than parliamentary contests. So the raw figures will have to be adjusted to indicate national trends. But the results will have to be very bad to stop a June general election – given that the opinion polls now give at least the 'be prepared' signal.

Labour finds cheer on the campaign trail

The Labour Party is forecasting substantial gains in this week's local government elections, Michael Cassell reports.

WITH LABOUR's local election campaign nearly run, the party is confident that its efforts will on Thursday reap results likely to contrast sharply with its present standing in the opinion polls.

The leadership believes that, despite what it sees as an avalanche of "loony left" (extremist) propaganda designed to bury Labour's electoral chances, the party's local government performance is about to be given the seal of approval by the voters.

Mr Larry Whitty, Labour's general secretary, said yesterday that the party's real record in local government was now getting home and that its own propaganda efforts were about to pay off.

Labour claims that issues like left-wing extremism in the town halls, together with the latest outbreak of internal warfare over black sections within the party have not been raised on the nation's doorsteps over the *last few days*, despite what Mr Whitty called a campaign of "misrepresentation and downright lies" waged by some sections of the press.

The absence of local elections in London – usually depicted as the hot-bed of left-wing extremism – has arguably served to dampen down the "loony left" debate, although some party leaders believe a contest in the capital, together with the accompanying threat of lost seats would have completely silenced potential dissidents.

But despite last-minute controversies extending across both local and national politics and after an intensive, four-week campaign, Labour is sticking to its original forecast that it will further strengthen its current grip on councils around the country. The party began the campaign with an historically strong base, embracing around 9,000 councillors and the control of 160 councils. The Tories held 152 authorities and the Alliance 11.

In 1983, Labour – like the other principal parties – notched up net gains at the expense of independent candidates, taking seats it had never dreamed of winning. It said at the outset of the latest campaign that it expected to win control of up to 12 more authorities and the latest, internal canvassing suggests the party will meet its target.

High on the list of authorities likely to fall under Labour control on Friday are Trafford in Greater Manchester, Cardiff and Reading. The party also expects, in the aftermath of its purge on extremists to do well in Liverpool, claiming that it is far from being written off in the way its opponents presume.

The leadership is anxious to emphasise that its successes will not be confined to its traditional heartland in the north of England and says it is confident of making significant gains in seats such as Reading, Southampton, Milton Keynes, Brighton, Oxford, Luton and the Kentish towns, in the South East of England.

Whatever the results on Thursday, the evidence suggests that Labour's local government campaign has been among the most professional and well-cordinated efforts the party has launched in recent years.

The battle for votes, which will go on up until polling day, has seen an unprecedented number of tours by *front-bench spokesmen* and the production of over 15m items of campaigning material.

Today, Mr Bryan Gould, the party's campaigns co-ordinator, will be in Basildon, Mr John Smith, the trade and industry spokesman, will be in Cardiff and Mr Jack Straw, one of Labour's front-bench environment team, will be shaking hands around the south west of England. The party's campaign bus has visited more towns then ever before and is still on the road.

With the local elections out of the way, Labour says it will be better prepared than ever to throw itself into a general election campaign. Last week, Mr Whitty gave an upbeat progress report to the party's national executive committee, claiming that the party and its candidates could not wait to begin the general election contest.

But despite the outward confidence, there remains widespread pessimism about the prospects of a Labour general election victory.

Kuwaitis buy Soviet petrol operation

By Lucy Kellaway

THE SOVIET UNION, which until last week owned about 50 petrol stations in the UK, has pulled out of the market and sold its interests to Kuwait Petroleum International, the state-owned oil company, which is rapidly expanding in the UK.

The stations were owned through the Soviet oil trading arm, Nafta, which will continue to be based in London to deal in crude oil.

Nafta said that until the Second World War the Soviet Union claimed more than 10 per cent of the UK petrol market. It said the decision to sell the remaining 50 sites had been taken because the company had no nearby refineries and was not prepared to commit the large sums of money needed to run profitable stations.

For Kuwait Petroleum, the deal, although small, represents another step towards its target of achieving a 6 per cent share of the UK petrol market. After recent deals with Ultramar, the UK oil independent, it now claims about 2 per cent.

Kuwait Petroleum, which is the only integrated international oil company to be owned by an Opec member, sells its petrol in Europe under the brand name "Q8", which it launched last year.

Wage awards 'rising by 5.7%'

By Our Labour Editor

WAGE SETTLEMENTS are running at a median increase of 5.7 per cent, according to a pay research analysis.

But the different sectoral increases recorded by Industrial Relations Services (IRS) are still in line with the mix of settlements recorded by another analysis by Incomes Data Services (IDS).

In its findings, IRS shows a median settlement level, weighted by employee numbers, of 5.7 per cent over the 12 months to April.

Increases are running higher in the public sector, at 5.9 per cent, compared with 5.3 per cent in private sector companies.

A tide slow to come in

"THE TREATY is like an incoming tide. It flows into the estuaries and up the rivers. It cannot be held back."

Lord Denning said so years ago and many have repeated the metaphor since, hoping that it would be possible to build a Federation of Europe based on a comprehensive Community Law.

Repetition did not make Denning's prophecy come true. "I don't think we have seen any such tide on a big scale yet." Lord Hailsham, the Lord Chancellor, said when I met him recently.

Why is it then, that such a big elephant gave birth to such a little mouse?

Let us take the issue of equal pay and sex discrimination in social security cases. Article 119 of the EEC Treaty says: "Each member state shall . . . ensure . . . the application of the principle that men and women should receive equal pay for equal work." This, one would have said, meant that member states should adopt legislation to give effect to the principle of equal pay.

However, in the famous case of *Defrenne v Sabena* the European Courts said there was no need to wait for national legislation, article 119 was 'directly applicable' and national courts were obliged to uphold any claims justified by it.

There followed more European Court decisions. "Equal work" was defined as "work of equal value" and this was embodied into UK legislation. EEC directives extended the principle of equal pay to other conditions of employment and to social security provisions. The pioneers of sex equality went from victory to victory. But the latest research paper of the Equal Opportunities Commission, just received, calls them Pyrrhic victories.*

There is a sense of disappointment with the actual results of applications made under the equal pay legislation to industrial tribunals. The applicants were successful in only 11 per cent of all sex discrimination claims and 10 per cent of all equal pay claims made between 1976 and 1983. Even in those successful cases the tribunals only rarely recommended a remedial action and the compensation they awarded was often desultory.

A substantial number of successful applicants had to go to the Employment Appeal Tribunal or to a higher court and many found the experience very stressful. In the four years 1980 to 1984 there were 151 successful applicants (a further 50 succeeded later after an appeal) and nearly half of them experienced difficulty or delay in getting an employer to pay the compensation or to take the action recommended by the tribunal. In a few cases employers were obstructive and the tribunal decision had to be enforced by a new procedure in the county court. Some applicants never received the money they had been awarded.

For some successful applicants the situation in their jobs became untenable and they had to leave. A number of applicants said they were dismissed or made redundant because they brought a case. Not one of the successful applicants who remained in their jobs felt that their working conditions and prospects had improved.

The difficulties which the Commission faces when trying to translate into reality some

BUSINESS LAW

of the laudable objectives of the Treaty lead to the frustration of its officials and result in a bureaucratic bloody-mindedness which makes things even worse. Since 1971, the Commission has invariably proposed that regulations introducing generalised tariff preferences be based on Article 113 of the Treaty. This provides for a majority decision of the Council of Ministers and is specific about the role of the Commission in the legislative process.

The Council however, always adopted such regulations citing only the "Treaty," as it now explains, in order to embrace not only Article 113 but also Article 235 which requires unanimity. Its patience exhausted, the Commission took the Council to the European Court which solemnly annuled Council regualtions 3599/85 and 3600/85 because they did not cite Article 113. The futility of the exercise is revealed by the court's postscript to its decision: the annulment will not deprive the regulations of their effects which are to be taken to be definitive!

Sometimes the Commission and the Court get themselves tangled up in a way which outsiders find unbelievable. For example, French books exported first to another EEC country and then re-imported to France can be sold at any price the bookseller wishes, while the same books placed directly on the French market by the French publisher are subject to the maximum 5 per cent discount rule. French courts asked whether this was not contrary to the Treaty principle of non-discrimination. The Court said no. Still in disbelief, the French courts sent a second reference with exactly the same question to Luxembourg. But the European Court would not be moved. It now gave an identical answer in case 168/86.

Even more serious damage to the credibility of EEC law results from contradiction between the Commission's findings of fact and its legal conclusions. As I reported here on December 12 1986, in dealing with the proposed link between Philip Morris and the Rembrandt Group on the one side and BAT and Reynolds Industries, their major competitors on the oligobolic cigarette market on the other, the Commission first found that it was infringing the EEC laws of competition and the second time gave it its blessing, though the changes adopted in the agreements hardy altered their effect.

I found it then difficult to understand the new rule enunciated by the Commission: that the acquisition of 30 per cent of equity in a competing enterpise was not anti-competitive and that a major tobacco company would put $350m into a competitor with no other objective than to obtain a good return on its capital. Luckily it came to pass (in cases 142 & 156/84) that Mr Advocate General Frederico Mancini shared my lack of sympathy for such reasoning: he proposed that the Court should annul the Commission's decision.

A more serious issue involving the relationship between Community law and national laws was raised by the Commission's recent attempt to search the Frankfurt premises of Hoechst. It is the practice of the Commission on such occasions to search desks and filing cabinets.

According to German interpretation of regulation 17/62 it has no right to do such things. Further, like in other member states, no search and entry is allowed without a court warrant and none could be obtained at first by the German Cartel office because the Commission did not provide justification for its suspicion that Hoechst took part in a polyethylene cartel.

Several German courts got involved in the dispute as well as the European Court, first on the application of Hoechst for an injunction, and then on the complaint of the Commission that the German Government failed to do its duty to assist the investigation.

On the surface, the dispute appears to be about the supremacy of German fundamental law over investigatory powers claimed by the Commission. In substance the real problem may be how to overcome the contradiction between the far-reaching ambitions of Brussels and its distance from the places where things happen.

Can one expect the European Court, equipped mainly for solving issues of law, to authorise dawn raids in Frankfurt or in London? Will the future competition court of the Community be better equipped for such a job? Or should one rather look for a model to the dual legal system of the US where a hierachy of federal courts exists side by side with state courts, and where, in spite of this facility, harmonisation of state laws is not given such a high priority as in the EEC?

* *Alice M. Leonard, Pyrrhic Victories, Stationery Office, £4.95.*

A. H. HERMANN

Bentley and R-R may drop shared styling

By John Griffiths

THE DEVELOPMENT of separate Rolls-Royce and Bentley ranges, with differing bodies, is being planned by the recently restructured management of Vickers' luxury car-making subsidiary.

They could go on sale in the mid-1990s, according to Mr Peter Ward, Rolls' former managing director of sales and marketing who became chief executive two months ago.

The strategy depended on the company sustaining the return to profitability and sales recovery it has made over the past three years, said Mr Ward – "although we are not going to slip back."

Rolls plunged into losses as its car sales world-wide fell in the early 1980s. In 1982, when its sales fell below 2,000 units, it appeared that the company might not be able to survive. Since then sales have recovered to reach 2,603 last year.

Sales were expected to increase at a steady rate of 150-200 units a year, he added, while profitability was improving through greater production efficiency.

UK NEWS

Lucy Kellaway looks at the sensitive choices facing British Gas

Running out of North Sea options

THE LARGEST single source of supply to British Gas, the Frigg gas field in the North Sea, is running down faster than had been thought. The Government and British Gas will soon have to settle the sensitive matter of where the next generation of gas is going to come from.

According to a new study from Wood Mackenzie, the broker, the remaining reserves may be some 40 per cent lower than earlier estimates and total reserves may be 6.0 trillion (million million) cubic feet (tcf) rather than 6.7 tcf. The field, which last year met more than a quarter of UK gas demand, is now expected to start to decline steeply at the end of next year, and to be exhausted altogether by 1990, some six years earlier than expected.

Elf Aquitaine and the other partners in the field are examining new data, and are expected to come up with their own estimates next month. However, because the field has delivered one disappointment after another since it started producing in 1977, they are not likely to be surprised by another setback.

The problem seems to be that the water level in the reservoir is rising evenly, whereas the experts had expected that an uneven rise would leave a series of little pockets of gas which could be tapped by new wells.

British Gas says that it is prepared for the latest shortfall. It intends to make up for lower liftings from Frigg by taking more gas from producing fields, by signing up new fields in the southern basin of the North Sea and by producing more from its own Morecambe field.

Even though the poor behaviour of Frigg may not upset British Gas' plans in the short term, it will exacerbate the shortage of supplies in the 1990s.

According to BP, by 1995 there will be a gap of two billion cubic feet a day, about one third of projected consumption. Given that bringing new fields onstream may take four or five years, British Gas will soon have to decide where the gas will come from.

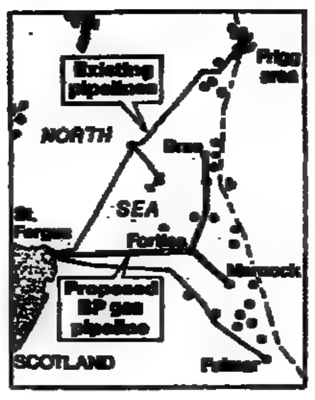
An obvious choice would be to import it from the big Norwegian Troll and Sleipner fields due to start producing at the beginning of next decade. Now that British Gas is a private company it should – in theory at least – be free from the kind of government interference that blocked its attempt to buy Sleipner gas two years ago.

But as British Gas gets ready for the first round of discussions with the Norwegians, the UK oil industry is preparing its own angry protest should there by any deal to import gas on a large scale.

In a recent submission to the energy select committee, BP gave a warning that a large-scale import contract "would cause an inevitable deferral of developments with very serious implications throughout the UK hydrocarbon sector, for the balance of payments and for UK employment."

In 1985 British Gas was prevented from buying Norwegian gas on the basis that there was plenty of gas in the southern North Sea. This time the focus of the argument has shifted to the central North Sea, where Wood Mackenzie estimates that existing fields may contain a total of 17 tcf of gas, about four times as much as the reserves of likely development in the southern gas basin.

Most of the fields contain gas condensate, a mixture of gases and



liquids, making them more expensive to develop than dry gas fields. Furthermore, the reserves are scattered out over a fairly large number of small fields.

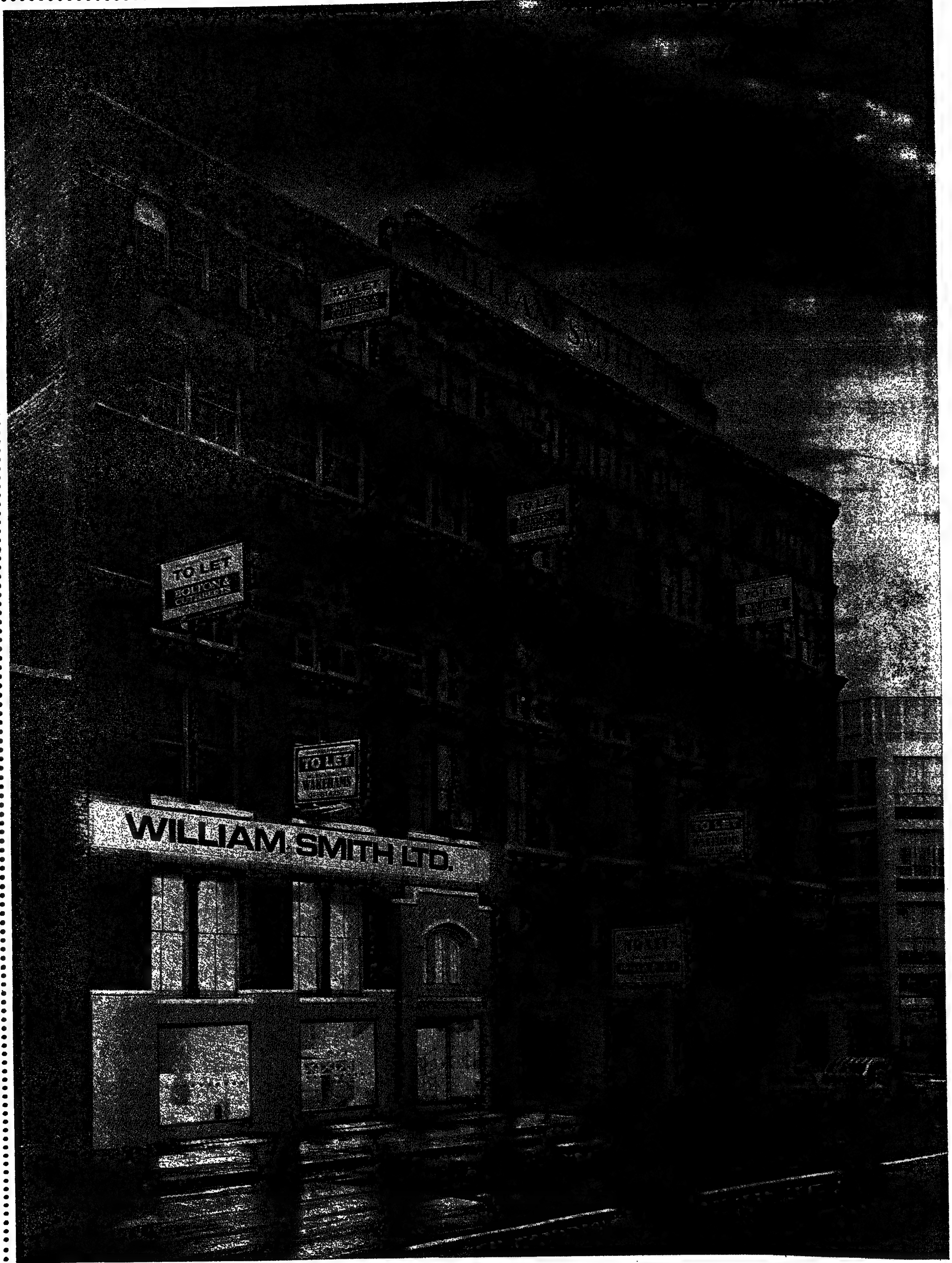
However development of the fields appears possible, and BP has recently proposed a central gas gathering system. This would run from St Fergus to the Forties field, with arms branching out to Brae and Miller in the north and down to Marnock in the south. BP is now actively pushing the plan, and is in serious discussion both with the oil companies which would use it, and with the Department of Energy.

The scheme has considerable economic and political appeal. It might allow the development of many of the smaller fields which could not support their own pipeline systems, and would also ensure a steady flow of work for the depressed UK offshore industry.

BP will need to bring all its effort to bear on the plan if it is to succeed. An earlier attempt to build a central pipeline failed in 1981 through the sheer logistical difficulties of making so many players agree on a unified scheme, and from getting the necessary assurances from British Gas.

Even though the new scheme is simpler, it may not prove possible to get companies to commit funding to a scheme when they know neither when their field will be developed, nor what the volumes agreed by British Gas will be.

While in the end the decision is a political one, BP and others have already demonstrated the scale of opposition should British Gas reach an early agreement with the Norwegians.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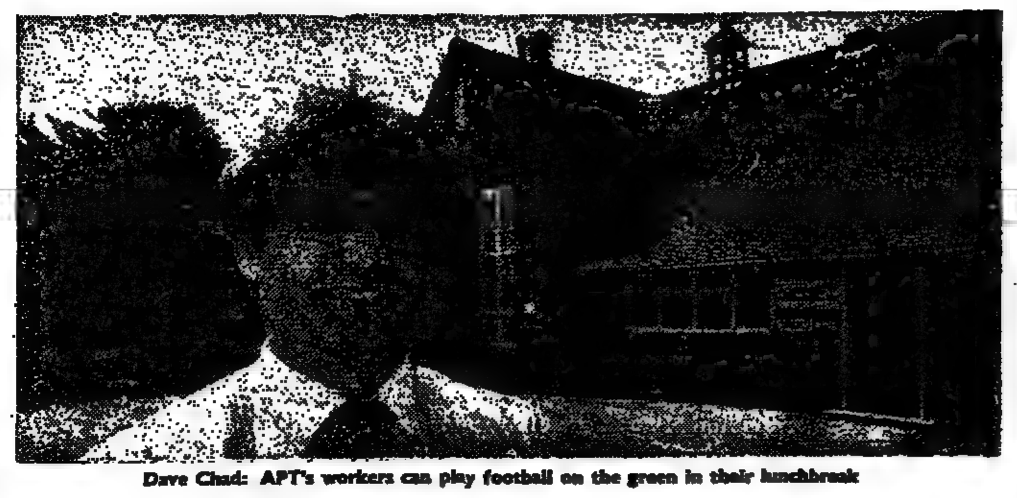
MANAGEMENT: Small Business



Dave Chad: APT's workers can play football on the green in their lunchbreak

Rural businesses: not all a bed of roses

Charles Batchelor on the climate for setting up in the country

IT TOOK Georgina von Etzdorf and her two partners three months to find the ideal building for their young textile design business. They finally lighted on a derelict long barn in the pretty village of Odstock, two miles south of Salisbury, in Wiltshire.

The restored barn combines an affordable rent with an up-market "county" image which goes well with von Etzdorf's hand-printed range of scarves, ties, dressing gowns and waistcoats. Its length provides ample space for the 60-foot print table on the ground floor while office, studio, steaming and ironing areas crowd together on the top floor. The flint and brick barn, with new floors, roof and windows, now houses a thriving business employing 13 people and with expected sales of £400,000 in 1987. It has also made a small contribution to solving the problems of rural decline and the continued loss of jobs in farming.

Seven thousand farm jobs were lost in England last year and while Wiltshire's 9 per cent unemployment rate compares with 19 per cent in Cornwall and Durham, rural communities in the relatively prosperous southern counties are also under pressure.

"You might have a thatched cottage with wisteria round the door, but if you are poor and without a car in the country you are cut off from shops, the Jobcentre and the library," says Peter Curbishley, small industries adviser in Wiltshire for the Council for Small Industries in Rural Areas.

CoSIRA, which is part of the Development Commission for Rural England, is attempting to reverse that decline by providing advice and financial aid to small firms setting up in rural areas.

Twenty-eight rural areas, including much of the West Country and the northern counties of England, have been designated as Rural Development Areas. They receive special help in the form of a small factory building programme which last year took up £15m, or more than half the commission's budget.

Financial aid is also given to repair derelict rural buildings such as schools, chapels and barns for use by small firms.

But equally important is the help and advice which is given by CoSIRA advisers on where to find premises, obtaining planning permission and on running a small business. CoSIRA also trains craftsmen in skills such as thatchery, forgework, dry stone walling and agricultural machinery repair.

The Government is increasing funding for the English commission by 12 per cent to £27.8m in 1987-88 which will allow CoSIRA to increase its marketing support scheme, extend the redundant building grants scheme to tourism projects and take on more part-time advisers.

Curbishley helped Georgina von Etzdorf find premises and also dealt with a problem she and her partners faced with the treatment of waste dyes.

But while a textile design partnership appears to reinforce the craft image of rural companies only one in 10 of new companies are setting up in the Wiltshire countryside has a craft bias.

The typical non-agricultural rural business is, in fact, an engineering company, according to the somewhat surprising results of a recent survey carried out by CoSIRA.

Advanced Precision Tools, a manufacturer of diamond-tipped cutting tools, fits the bill perfectly. Based in the former village school at Herriard, a village four miles south of Basingstoke, Hampshire, APT has grown from its four founder directors in 1981 to a total of 13 people with turnover of £300,000 in the year just ended.

Dave Chad, in charge of design at APT, and three colleagues decided to set up on their own when their previous employer, a large cutting-toool manufacturer, decided to move from Basingstoke to Gloucester.

They spent their first three years in a small shed in the nearby village of Lasham before remortgaging their homes to buy the disused village school for £100,000 in 1984.

For a team which had become used to working in a purely industrial environment, the Herriard school offers one of the main advanges of the rural life — a green and pleasant environment.

"The lads can play a game of football on the green at the back during their lunch-break," says Dudley Ayling, another of APT's founder-directors. "It's also nice to be able to look up from peering at a piece of work and see the country out of the window."

Costs also tend to be lower in the country though the expense of modifying farm buildings in keeping with local architectural traditions can be high.

"If we had gone into Basingstoke four years ago we would have been paying £6 a square foot," notes APT's Chad. "We could not have afforded it. Here we have the space and we can use the school playground as a car park."

For many companies a rural location is essential for the type of business they are in. Gul Wetsuits, a private company which became part of the publicly quoted Hawtin group in 1983, is based on an industrial estate in Bodmin, Cornwall, halfway between the north and southern coasts of the county.

"The surfing industry started in Cornwall. That is why we are here," says Carey Brown, managing director. "It's ideal for testing equipment. We can hammer a wetsuit to death on the Atlantic coast and then try out yachting gear off the south coast."

Gul, which was started by Brown and an uncle in 1972, now employs nearly 90 people, has turnover of £8m and claims to be number one in its field in Europe.

But life is not all roses for companies which opt for the country life. The first and biggest problem they face is finding premises.

"We spend more than half our time and the commission more than half its money in creating premises but after 10 years the demand is still there," says Henry Clark, CoSIRA's head of information. "Sometimes we think we have built too many units but after six months they have all been taken." A major problem is the competition from private buyers who will pay large sums.

"If a City whizzkid offers a farmer £60,000 for a pile of rubbish the farmer won't sell it to us if I go along and offer him £20,000 to put it to industrial use," says Curbishley. "Even if the farmer has not got planning permission for houses he is prepared to wait five years in the hope he will get approval." In the early 1980s developers could claim 100 per cent tax relief on small rural workshops under the Industrial Buildings Allowance scheme but this was abolished two years ago.

Even if a company can find premises, housing for its workers in the south-east and other popular retirement areas can be prohibitively expensive.

"My biggest problem is the cost of accommodation," says Ray Bevan, managing director of Alresford Watercress, a 50-year-old Hampshire company which has recently increased its workforce from four to seven. "A house in this area costs £45,000 to £50,000. A young manager could never afford that."

The housing shortage adds to the problem of recruiting suitable skilled staff. "There are not many similar companies in this area so it is difficult finding people with experience," says von Etzdorf's Jonathan Docherty. "We train all our own people. That takes time and is a bit of a gamble until they have made it."

Distance from their markets can be a problem for some companies. Eddie Clunan who, with his wife, runs Duddon Electronics from Coniston in Cumbria says visits to his customers have to be carefully organised. Duddon supplies underwater lighting equipment to the offshore oil and gas industry and to power stations.

But Clunan's main complaint is a sharp decline in the postal service in recent months. "We used to be able to get a letter out quite late in the evening but they have cut back the service," he says.

Cuts in rural bus services have also hit small rural firms. APT's Chad says the infrequent and costly local bus services makes it difficult to recruit young apprentices. A partial solution has been found in the older employees with cars organising a pick-up rota.

For all the problems faced by young companies in the countryside they will become even more important to the rural economy if Brussels extends its controls on farm production and cuts farm incomes.

Fortunately for Britain's rural economy, attitudes to industry are starting to change.

"Even the retired colonels who would normally lodge objections saying they didn't want a noisy woodworking factory in their village are coming round," says CoSIRA's Clark.

In brief...

RURAL SMALL business has been given extra backing by the Government. Funding for the Development Commission for Rural England is going up by 12 per cent to £27.8m in 1987/88.

This will mean extra backing for The Council for Small Industries in Rural Areas (CoSIRA), which provides advice, training, finance and help with workshop space to small firms in the countryside.

Specifically, extra aid will go to the Private Sector Partnership Scheme, whereby the commission helps job-creating private sector projects in priority Rural Development Areas; to CoSIRA's marketing support scheme; to expanding the Redundant Buildings Grants Scheme to include conversions for tourist use; and to recruiting additional consultants to strengthen CoSIRA's advisory services, particularly in remote areas.

COSIRA, 141 Castle Street, Salisbury, Wilts SP1 3TP. Tel 0733 336255.

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BERKSHIRE County Council is to help young people start up their own business with cash grants and loans. It is to establish a Youth Enterprise Fund which will offer grants of £500 to selected 18 to 25-year-olds to meet their initial legal, professional and premises costs.

A condition of receiving the grant is that the young person makes use of the Berkshire Enterprise Agency. The county is also to establish a revolving loan fund which will provide start-up loans of up to £1,500 to young entrepreneurs who have been refused a bank loan.

Contact Berkshire Enterprise Agency, Old Shire Hall, The Forbury, Reading, Tel 0734 585715.

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ENTERPRISING Youth Exhibition, to be held at the Barbican, London, between May 11 and 13, is giving 29 businesses run by young people aged 26 and under the chance to promote their goods and services. Sponsored by Shell UK and organised by the Junior Chamber of Commerce for London, the event is part of the London Standard Business to Business Exhibition. Details: David Betts at Shell on 01-257 3100 and Colin McCormack, Junior Chamber, on 01-349 4339.

The pros and cons of secondary markets

Alice Rawsthorn reviews a book on going public

SCARCELY A week passes without a broker, bank or accountant publishing a glossy pamphlet on the problems and pitfalls of going public for small companies. The only obstacle for the ambitious entrepreneur is that the "solutions" to those problems almost always involve paying a hefty fee to said broker, bank or accountant.

Truly objective views of the prospects for small companies on the equity markets are hard to find. Thus Graham Bannock and Alan Doran, both of whom are involved with small businesses, have produced a book on London's secondary markets, Going Public: The Markets in Unlisted Securities.*

The development of the London markets is rooted in the early 1970s when M. J. H. Nightingale & Co—now trading as Granville — introduced a facility for dealing in the shares of private companies. Two secondary markets have since emerged: the unofficial over-the-counter market and the Unlisted Securities Market under the aegis of the Stock Exchange.

The OTC market is composed of a group of licensed securities dealers making markets in the the shares of 150 or so companies on an informal telephone network. Its development, as Bannock and Doran relate, has meen plagued with problems.

Illiquidity has been a persistent problem, as has the paucity of information on OTC stocks. The dealers' penchant for the "hard sell" is illustrated by the experience of one of the book's researchers who unwittingly became the target of a dubious sales pitch while waiting for an interview.

By contrast the progress of the USM has been an orderly affair. The market was introduced in 1981 in response to the Wilson Committee's report into the role of small companies in the financial markets and to the Stock Exchange's concern about the growth of the unofficial OTC market, or the "twilight zone" as it was called.

Bannock and Doran dwell on the USM's successes — the market has grown far faster than the Stock Exchange envisaged and swiftly established itself as a liquid, if volatile, forum for small companies — but also on its failings.

The book maps out the standard procedure for a company to go public on the USM, but is particularly useful in pointing out some of the less conspicuous problems. A USM quotation may enhance prestige, ease access to capital and facilitate acquisitions; but it can also place the company under uncomfortable scrutiny, thereby compounding its problems should there be a sudden downturn in its activities.

Another drawback to flotation is the cost involved. Bannock and Doran provide a guide to the likely costs of an issue, but also identify the "hidden costs."

The book is optimistic about the prospects for the secondary markets: partly because it perceives the USM and OTC market in the context of the international trend towards the "vertical segmentation" of equity markets which has created new secondary markets in France, the Netherlands and West Germany and enabled NASDAQ to flourish in the US; and partly because economic trends suggest that the influx of small companies onto the second markets will continue unabated.

Bannock and Doran identify the availability of venture capital, ongoing deregulation and the change in social attitudes towards entrepreneurship as catalysts for the creation of many more small businesses. They estimate that each year between 120 and 150 small companies reach a size at which a secondary market flotation would be feasible.

Moreover the legislative changes implemented in the Government's attempts to widen share ownership should introduce more individuals to investment, thereby creating a new source of investors in small companies.

Going Public, like so many financial books, is plagued by the perennial problem that its statistics and examples are rather outdated. A more pertinent problem is that the book was written not only before Big Bang, but before the creation of the Third Market, the Stock Exchange's official alternative to OTC trading.

Thus Bannock and Doran, thanks to an accident of timing, were unable to address themselves to the issues uppermost in the mind of any small company now mulling over the whys and wherefores of a flotation.

* *Harper & Row. £19.95.*

THE ZAMBIAN ECONOMY

No hope of an easy way out

By Tony Hawkins

LAST FRIDAY'S decision by Dr Kenneth Kaunda, the Zambian president, to break with the economic austerity policies of the International Monetary Fund is likely to prove a major setback in efforts to solve the country's worst economic crisis since independence in 1964.

In a late-night broadcast to the nation, Dr Kaunda announced the reversal of most of the key policies of a four-year-old, IMF-sponsored reform programme — *including* the abolition of the country's innovative foreign currency auction, the re-imposition of price controls and a severe limit on debt service payments.

At a time when the IMF can claim few if any African success stories among its clients, this volte face by Zambia could *prove a serious blow* to the credibility of the West's formula for economic reform on the continent.

Increasingly, Zambia has been portrayed as a model of reform, a country struggling against the most adverse of conditions—and against serious domestic political resistance—to restructure *its* economy. Officials from the Western donor nations, the IMF and World Bank admit that they have invested in Zambia not only their money, but also their reputations as economic advisers.

Now, by abandoning the country's IMF programme and shifting the burden of balance of payments adjustments on to the shoulders of Zambia's international creditors through limiting debt service, Dr Kaunda will have forfeited much of the substantial sympathy built up in the West over the past four years. His weekend appeal to donors to *maintain aid levels could* well fall on deaf ears.

Although the decision is designed to alleviate the burdens implicit in IMF austerity, *economists believe there is* a strong danger that it will have the opposite effect—intensifying deflationary pressures in an economy which, even while enjoying large amounts of donor support, has reached the brink of collapse.

Even before Dr Kaunda announced his go-it-alone strategy, the prognosis for the Zambian economy was grim.

While some of Zambia's problems are self-inflicted—government neglect of agriculture in the 1960s and 1970s, an overvalued exchange rate (until 1985), lax fiscal policy and *failure* to adjust to falling copper output and depressed metal prices took their toll—it is beset by economic difficulties that even the most efficient management *could not have* solved.

These include near total dependence on a declining industry — copper — recurrent drought, transport difficulties associated with civil wars in neighbouring Angola and Mozambique, and an external debt that the country simply cannot service as scheduled.

With copper exports accounting for 90 per cent of export earnings and 50 per cent of GDP, the 75 per cent fall in the real price of copper since 1973, coinciding with high real interest rates on foreign payments, created a crisis dealt with initially by running up a backlog of arrears on payments abroad and by substantial foreign borrowing. By the end of last year, Zambia's external *liabilities totalled $5.8bn* including more than $600m in arrears on medium and long term debt.

The impact of depressed copper prices was intensified by the steep decline in production which fell from 713,000 tonnes in the mid-1970s to 459,000 tonnes last year.

By 1985, controls had reduced import volumes to only one quarter of their 1974 levels but import compression of this *magnitude meant widespread* under-utilisation of capacity in industry and a severe deterioration in *infrastructure* because of inadequate maintenance.

Zambia's reform programme dates back to 1983 when it declared a moratorium on debt servicing and signed the first of three rescheduling agreements *with its* creditors. The reform package included price decontrol, subsidy reductions, increased producer prices for farmers, relaxation of interest rate ceilings, and frequent modest currency devaluations.

Fiscal policy was tightened so that the budget deficit fell from 17 per cent of GDP in 1982 to under 10 per cent two years later. But despite these changes the situation deteriorated further as copper production and prices continued to fall and aid and capital inflows declined sharply.

Accordingly in October 1985 radical new economic policies were *adopted* including the auctioning of foreign currency, the liberalisation of trade and of prices generally, decontrol of interest rates through a daily *Treasury Bill* auction and the partial privatisation of maize marketing. Western aid agencies welcomed the reforms and Zambia negotiated a two-year standby agreement of SDR 230m with the IMF and a further SDR 70m under the IMF's compensatory financing facility.

In the past year, however, the Zambian president has faced mounting criticism from within as the reform programme intensified downward pressure on output, incomes and employment at a time when real per capita incomes had already fallen by 40 per cent in the past 12 years.

Last December's food riots on the country's Copperbelt in which 15 people died have been *followed by public sector strikes* by teachers, nurses and postmen while on the mines, unions have recently rejected management's pay offer.

The President panicked in response to the riots — rescinding a 120 per cent rise in the retail price of maize meal, the staple food, reducing interest rates and suspending the foreign exchange auction for two months.

President Kaunda's decision *to reverse the maize price rise* and retain food, fuel and fertiliser subsidies estimated to cost well over K1bn this year, will substantially worsen the *budget deficit, currently estimated* at 30 per cent of GDP — well above the 10 per cent ceiling advocated by the IMF.

Zambian officials say that the country's IMF programme broke down over the issues of the budget deficit and domestic *money creation.* With government spending and the money supply out of control (money supply growth topped 60 per cent last year) the foreign currency auction — which has seen the kwacha fall from K2.2 to the dollar at its launch in October 1985 to more than K20 to the dollar last week — is argued to be no longer viable. Accordingly, from yesterday the exchange rate has been pegged to K8 to the dollar.

Economists who know Zambia well believe that the policies outlined by President Kaunda on Friday night will only make a resolution to the crisis more distant. Progress towards a more open and competitive economy evident in agriculture, where per capita output rose last year for the first time in 20 years, as well as in manufacturing, is unlikely to continue. New ventures and products that were competitive at the lower exchange rate of the kwacha and which could obtain imports via the auction system will no longer be able to compete and are likely to be short of foreign exchange.

Signs of growth in new export products — essential in view of the decline of the copper industry — will be jeopardised by the revaluation of the kwacha, as the low kwacha has been the main impetus to export growth. And the reduction in donor (especially IMF) influence over Zambia's economy is likely to reduce the impetus to reform.

The challenge facing Zambia is daunting. World Bank projections show the country's *financial requirements* at $2.7bn over the three years to 1989, but this assumes a marked recovery in copper output to at least 500,000 tonnes annually which many *economists* view as an over-optimistic target. It also assumes rapid growth in non-traditional exports. The combination of rapid inflation and *the pegged kwacha could* well put paid to these hopes.

The decision to limit debt service to a maximum of 10 per cent of export revenues—after first deducting imports needed for the copper industry, payments abroad by the national airline, and fuel and fertiliser imports—means Zambia will *pay its creditors no more than* $50m annually compared with obligations of over $500m. Even with these savings the current account of the balance of payments can be expected to run a $150m a year deficit.

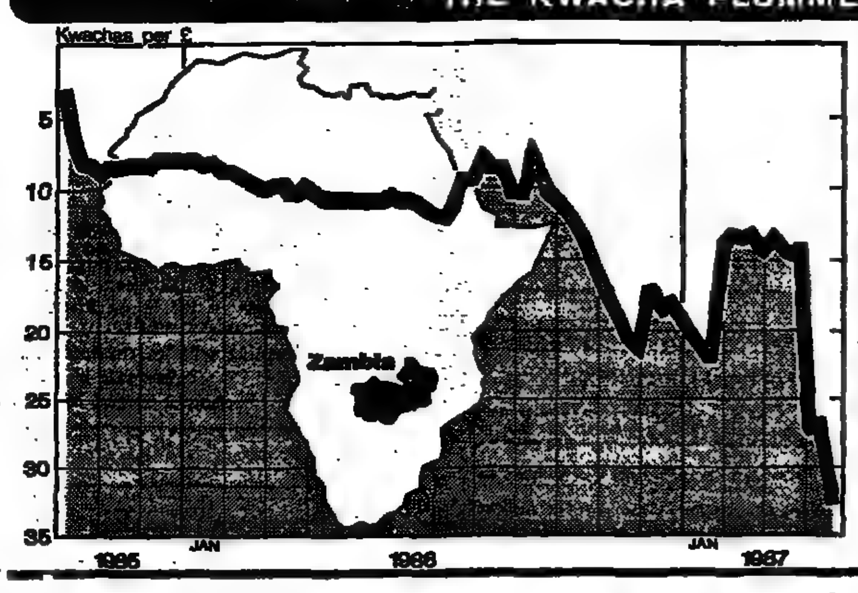
There is little prospect that Zambia will be able to finance this gap, as bankers and donors are unlikely to wish to support yet another change of economic direction in Lusaka.

But increased inflows of new money are crucial. In a report presented to a donors' meeting last December, the IMF and World Bank put it this way: "Without a combination of maximum debt relief and increased inflows from the donor community of new loans and credits on highly concessional terms, per capita consumption will continue to decline." Deprived of new long term capital Zambia's economic situation can only worsen further.

President Kaunda's weekend decision could *have a positive* effect if, for example, it increased pressure on the Paris Club countries to speed up their new initiative, announced last *month, on long term debt relief* for sub-Saharan Africa.

But given the enormity of Zambia's difficulties, it seems unlikely that even President *Kaunda has much faith in his* new strategy. In the West, his volte face is likely to be seen as a search for an easy way out that patently does not exist.

THE KWACHA PLUMMETS



Dr Kenneth Kaunda

* rate pegged at K8 to the dollar (K12.8 to £) from yesterday

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The task is formidable. The region is at the heart of Europe's "rust belt"—the broad swathe of industrial decline from the north of England, through southern Belgium, northern France, to the Ruhr in Germany.

In the past 15 years, around 400,000 jobs in coal, steel, shipbuilding and textiles have gone from the Nord-Pas de Calais.

Hazel Duffy reports on efforts to regenerate an area hit by the decline of heavy industry

More are scheduled to go as shipyards close in Dunkirk, the remaining coal mines shut and the French steel industry continues its painful restructuring.

Unemployment in the region averages more than 14 per cent, against 11 per cent nationally. In the coal and steel closure areas, it is much higher.

This is also a region of young people. Out of a total population of nearly 4m, 36 per cent are under 20, against 32 per cent for the whole of the country. Emigration by the young has long been a feature of this part of France. The challenge of creating jobs is therefore all the more urgent.

Despite the daunting scale of the problem, some observers believe that the Nord-Pas de Calais could become highly successful.

Located at the centre of north-western Europe, it must benefit from communications improvements. "We have always looked outwards — north to the Low Countries, west to England, east to Alsace and south to Paris, of course," says Mr Gerard Thiriez, retired textiles magnate. "Now we have the prospect of the Channel Tunnel and the extension of the TGV rail network bringing Paris, Brussels, London and Cologne even closer. Lille could be almost a suburb of Paris."

For the staunchly independent citizen of Lille, the last prospect would not necessarily be welcome. There are no such mixed feelings about the coming of the Channel Tunnel. In this densely industrialised area, moreover, there are no concerns like those discernible across the Channel in Kent, about the impact on the landscape of industrial and commercial development. Indeed, the factories and warehouses stand ready and waiting.

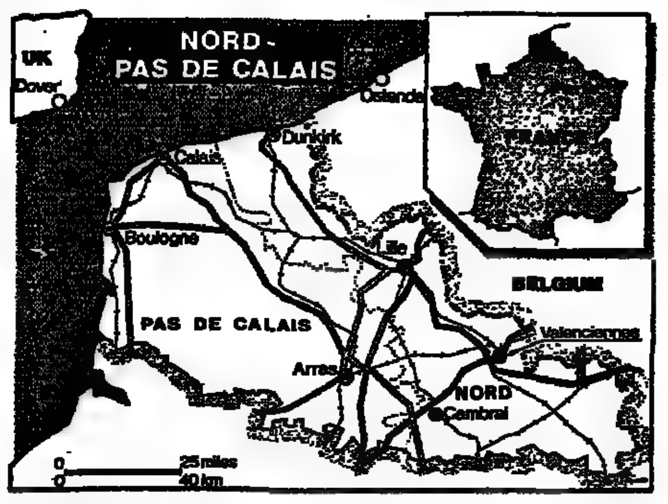
Local people show a determination to be involved in renewal, rather than wait for a government rescue. It is too early to say whether President Mitterrand's decentralisation exercise has contributed much to this "self-help." Confusion reigns over whether the regions have benefited much from the devolution set in train in 1982, and over the Chirac Government's policy.

Home-grown co-operative efforts to promote a region have a long tradition in France, despite the highly centralised structure of government pre-1982. Chambers of commerce in the Nord-Pas de Calais work with the regional wing of Datar (the state development agency), the agencies set up by the coal and steel industries to promote regeneration of the closure areas, local government and now the Regional Council.

Industrialists have subscribed to a centre near Lille where the technological achievements of local companies can be shown off and contacts made with visiting business people. A Winners' Club has been formed to publicise the region's positive points.

Although some parts have been decimated, good companies remain—such as Constants-Dickson (the Dickson side was founded in 1834 by an *Englishman*), which has adapted its textile weaving business to become one of the biggest suppliers of sun awnings. The Bull computer company has invested FFr 220m (£22m) in a highly automated showpiece plant near Lille.

Local promotional effort is complemented by support from government. In the 1960s and 1970s this took the form of diverting expanding industries to regions such as Nord-Pas de Calais, notably the vehicle industry. State research bodies were dispersed around the country. More recently, technological education institutions were set up in towns with declining industries, like Valenciennes.



State aid to encourage industrial investment in the regions has been cut heavily in the past three years. But the French Government still has a strategy for economic renewal.

For instance, Nord-Pas de Calais has been selected as a study area for the European Community's new programme designed to stimulate technological innovation as part of regional development. The Lille area is being used in France's Urba 2000 programme, aimed at bringing electronics into the domestic arena, which has already had a manufacturing spin-off.

A century ago, Emile Zola had chronicled the plight of the mining community

The Nord-Pas de Calais also has one of France's first three enterprise zones, set up recently in Dunkirk. Ten-year corporate tax and rates holidays are the carrot in trying to attract industry to the port.

Suffering is no stranger to this part of France. Like Britain, the strains of early and intense industrialisation have taken their toll. A century ago, Emile Zola chronicled the plight of the mining community when the owners cut wages to try to compete with more efficient mines being opened up elsewhere.

His novel, Germinal, helped to sow the seeds of French socialism, which has remained a powerful force in the region. France's generous system of family allowances sprang from this solidly socialist Catholic *area, as did state provision of* housing.

Another important tradition is that of people prepared to work hard. Just outside Arras, Mr Chris Smith, a senior manager of Oldham France, says of his workforce: "We are embarrassed by the number of people who want to work for us. There is very little turnover of staff; the quality of their work is high, as is productivity."

Oldham, part of the Hawker Siddeley group, was asked to go to this part of France by the government after the last war, to produce portable batteries for miners' helmet lamps. It now supplies half of its export market for industrial batteries, including the US, from Arras.

One of the problems in establishing a new economic base in the area, and in similar ones in northern Europe where heavy industry used to be supreme, is that the tradition has been to work for others, not for oneself. To change this culture is an important challenge.

Several avenues have opened up in the past few years providing funds for start-up companies and development projects. Most involve the state, although private sector venture capital is beginning to come in.

The Groupe Mulliez, which includes Auchan hypermarkets, self-service restaurants and Phildar hosiery, based in this part of France, has set up a fund with the Societe Generale bank.

Finorpa, set up by Charbonnages de France three years ago to cope with the aftermath of coal mine closures in Nord-Pas de Calais, will take minority equity stakes on a temporary basis as well as making unsecured loans at preferential rates, or even deferred interest.

Finorpa's target is to help companies employing between 10 and 50 to expand. In three years it has spent FFr 300m in ventures which have created

Several funding avenues have opened up in the past few years

around 5,500 jobs, with the expectation of another 3,000. However, its financial base is only secure until 1988.

Meanwhile, *Sodinor*, set up by the Usinor group with similar aims, has virtually used up its funds around Valenciennes. After coal and steel closures, more than 25,000 left the area between 1975 and 1982. "It was a local disaster," says Mr Jacques Dussart, director general of Sodinor, and he points to some brave new starts, like leisure shoe manufacture.

"The problem is the children *of those laid off," says Mr* Dussart, who works at Usinor's former mansion-like offices, now echoing with a handful of staff left to pick up the pieces. "But I am hopeful for Valenciennes. It has good geographical links and the technological university. It will come back."

“I always tell my secretary – get me on Lufthansa.”

This is an authentic passenger statement.

Lufthansa

Londoners—on canvas, on paper

William Packer reviews a city's view of itself and its companion book

"Oh, London is a fine town, a very famous city, where all the streets are paved with gold, and all the maidens pretty": "... for there is in London all that life can afford": "Soveraign of cities, semeliest in sight": "... the great wen of all": "Pussy cat, pussy cat, where have you been? I've been up to London to look at the Queen."

We are all Londoners to some degree, though our more self-conscious provincials might be loath to admit it. What is true of all true capital cities is most certainly true of London, that it stands as epitome, cynosure and abstract of the nation. The tourist will come as he always has, the perennial outsider, curious and conspicuous, to see the sights, complain of the natives and be abused in his turn. The provincial will come up to Town on his necessary occasional business and the chances besides of sophisticated metropolitan interest and fun.

And there are the Londoners themselves, who make the place what it is as they go about their daily lives. They may take it for granted, ignore its beauties, underplay its excitements and advantages, patronise its visitors, abuse its privileges, and yet still they remain, in their obscure and secret way, proud of their great city and its place in the world.

Dr Celina Fox, Keeper of Art at the Museum of London, has taken these *Londoners* as her subject in the exhibition she has arranged at the museum (until August 2; sponsored by Chase daily except Mondays), and in the book she has written (Thames & Hudson: 272 pp; 257 illus; £20 or £9.95 paperback) as its complement.

Indeed, though book and show march so closely together, treating the material in the same order, section by section, and holding so much of it in common, they remain quite distinct. For the book is no catalogue but rather amplification and development, bringing to the subject in terms both of actual images and scholarly exegisis, so much more than the scope of the exhibition could ever allow.

The exhibition is full rather than dense and, wearing its erudition lightly, celebrates the works themselves in their physical presence on the wall, with the touch of the artist as it were fresh on the canvas or the page. There are a few large, full-dress Academy machines, of course, such as Logsdail's late 1880s Lord Mayor's Show and Frith's young Paddington Station, with its wonderful liveliness and variety of detail and poignant circumstances, all human life indeed about to climbon board.

But for so much of the rest, the sense is rather more of the image as it was directly noted down or so soon worked up, fresh in the mind's eye of the artist, with which freshness our own experience can immediately identify. By a curious paradox the obvious changes and differences seem even to make that indentification all the more immediate and direct. The state procession of King Edward VI winds its way from the Tower to Westminster in 1547, through what seems to us a mere village or country town, yet state processions were ever thus.

In a more sinister vein, there must still be some alive whose parents were present at one of the last few public executions outside Newgate. But though the memory fades, the image still haunts the imagination. Gericault's extraordinary drawing, which he never completed, of the Cato Street conspirators on the scaffold in 1820, being prepared for the drop, is a riveting image of true, humane horror. Rowlandson, one of the recurrent stars of this show, gives us on the other hand what was known to be all the fun of the fair on these occasions, with the last-speech pedlar shouting his wares as the bodies still swing above and beyond the crowd.

Most extraordinary of all, perhaps, is the "back view or sketch of Tybourn, Taken Oct. the 14th 1767, the day that Guest the Bankers clerk was hanged," by John Hamilton, who set himself some 50 to 100 yards away behind the ramshackle grandstand, the carts and spectators' ladders, which obscure all but the topmost angle of the fatal beam, and the spectators on the upper seats.

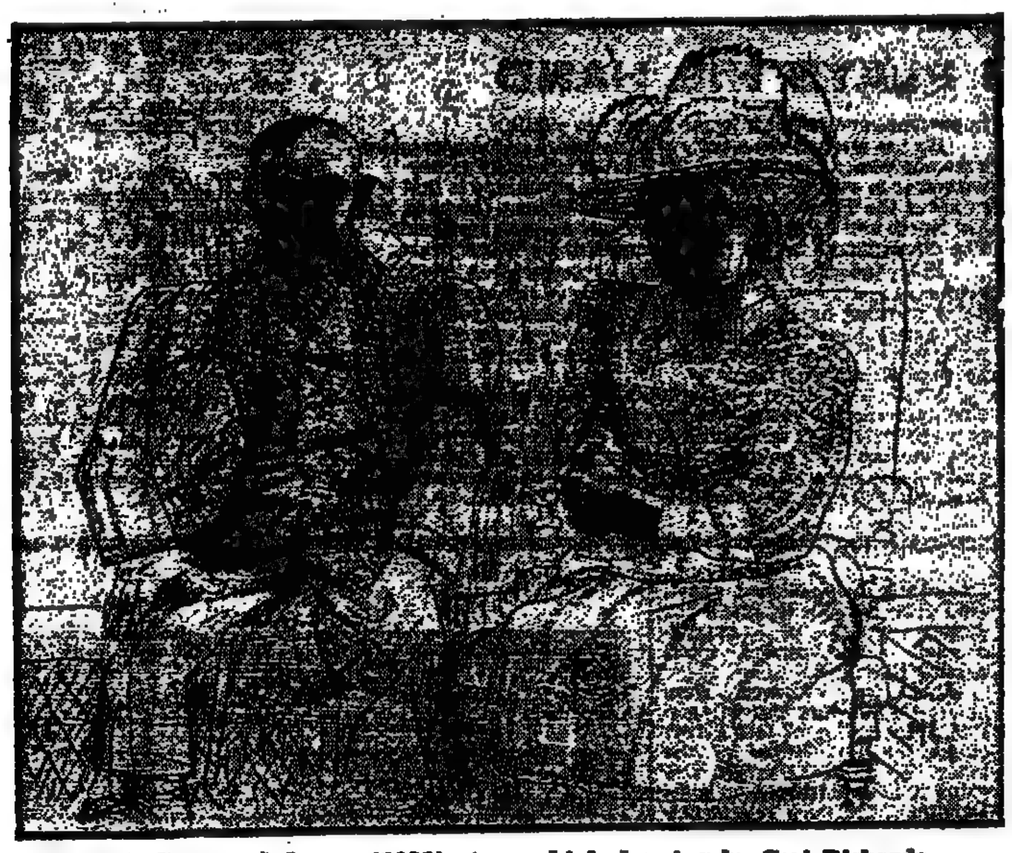
Though they have their serious moments, neither show nor book is altogether gloomy. The Law and Criminals is but one of the dozen or so headings under which both are arranged, and while a full chapter is given to each of them in the book, a brief encapsulatory text at each interval is quite enough to point the exhibition. It is this discretion, almost as much as the work itself, which allows the show a life of its own, and the viewer the privilege of looking first in his own time and reading later.

Thus Dr Fox takes us briskly through the diversions of The Crowd, introduces us into Society, shows us the working lives of Merchants and Craftsmen, Servants and Street Traders, Labourers and The Poor. She can only do so much, and it is a measure both of her success and comparative failure that we should leave the exhibition as we close the book, wishing for more.

There is frustratingly little material available before the 16th century, and since this is no exercise in contemporary observation, and she has chosen to exclude photography altogether, her effective scope is the 300 years or so from 1600, with the 18th and 19th centuries especially strong.

Images of this century do appear, more in the book than in the show, but perhaps more use should have been made of them, especially to make the point of the continuity of city life, high and low. Indeed, her dozen categories readily suggest a dozen more. In particular, the social life of London, and the public sports and amusements of Londoners, ask for a fuller treatment, from the coffee houses and clubs of 18th century St James's, to Tissot's Greenwich and Whistler's Chelsea, to Sickert in the Music Halls of Camden, John at the Café Royal, Laura Knight at the Circus, to Stanley Spencer on Hampstead Heath, and Edward Ardizzone in the Public Bar. And where are Racing and Football, Cricket and Boxing, Boating on the Serpentine and a Day at the Zoo? Doré's marvellous drawing of the end of the Boat Race is one of the great treats and surprises of the show.

Dr Fox has given us many such wonderful surprises in her show, concentrating especially on the unfamiliar within the narrow space available to her. She has made her point admirably, that the people of the city make the city. We only hope she does not leave it at that.



Pearly King and Queen (1939), pen-and-ink drawing by Ceri Richards in the Museum of London

Temptation/The Other Place

Michael Coveney

There is a cracking new play to join Doug Lucie's *Fashion* in the RSC's Other Place in Stratford-upon-Avon: a Faustian allegory of espionage, ideological experimentation and double-talk in an unnamed country. The author is Václav Havel, the Charter 77 signatory still detained under home arrest in Prague. Havel's creative response to his own captivity — I believe he has not seen a play of his performed for years — is one of the great artistic adventures of our day, and one of its heroic tales, too. In Tom Stoppard's version of his *Largo Desolato* at the Bristol Old Vic last year, his understandable paranoia seemed to be getting the better of his dramatic instincts. But with *Temptation*, spiritedly translated by one of his key British supporters, the redoubtable George Theiner of the Index on Censorship magazine, Havel writes in the more explosive, satirical vein of his most famous play *The Memorandum*.

At first we are not sure whether the Director is addressing colleagues or inmates of the scientific institute. Jung's writings are in circulation and the programme is threatened by a dabbler in various other of the banned hermetic writings. This Aleister Crowley of the Gulag turns out to be Dr Foustka who operates behind closed doors as a follower of pre-scientific religion and a sadistic sexual fantasist. The furtiveness of all this, as Billy Bunter's friend would have said of the fat owl's appetite, is terrific. John Shrapnel, fresh from other furtiveness in the Cynthia Payne movie, descends on the RSC and gives what will have to go down in the awards ceremonies as the sweatiest performance of the year, as he vigorously bemoans the lack of faith in society whilst celebrating the work of the devil under the banner of science.

He is, this Foustka, a character for our times and no mistake. His Mephisto is a cheerily odiferous, down-at-heel fellow called Fistula, whom David Bradley presents as a scowling hobo equipped with beret, plastic bag and a most necessary change of shoes. This intellectual renegade is dubbed either contemporary magician or agent provocateur. From this point in the play, the acquisition of knowledge is put on a par with its dissemination. Hence the ideological richness of the play, as heresy and conformism are refracted through the weird, surreal social life of the institute.

The reverberating dimensions are medical as well as sexual, and the issue of freedom of speech and responsibility to the source of that freedom is ironically equated with the need for toeing the hierarchial line. This summary of the content makes the evening sound worthy, which is the last thing that could be said, I am glad to report, of either Havel's marvellous theatrical energy or the splendidly tumultuous production supplied, in the very best traditions of this venue, by Roger Michell.

The tempo of the proceedings is much goverened by Jeremy Sam's score of *Valses Macabres*, Weillian tango and smoky jazz entr'actes. These are beautifully played by a trio residing above a Stratford company which looks as strong as any assembled this season if you discount the form so far on the main stage.

This show *is* notable, for instance, in Paul Webster's confident occupation of the Director as a livid little ferret reduced to pouring out his soul on a garden bench to Foustka with offers of after dark companionship. Mr Webster has never been seen to better effect at the RSC. And there is excellent work from Barrie Rutter as his fawning deputy, Shirley King as a dumb wifely appendage who turns like any true worm, Julie Legrand as the exotic accomplice in Foustka's jealousy games, and Ian Barritt who learns to keep on the right side of the boss by sleeping there.

In all, the impression, brilliantly sustained, is of public counterfeit washing over dark and stabbing scenes of private altercation and discussion conducted in a whisper, removed from the glare of light bulb, lamp, or fresh liberating air. This lends the play a peculiar power and chilling contem porary value. *Temptation* in short, and as always, is hard to resist.

Helen Field

Jorma Uotinen/Brighton Festival

Clement Crisp

The Brighton Festival, which began on Friday, made a brave start to its dance productions by inviting Jorma Uotinen to give performances of his *Scream* at the Gardner Arts Centre. Mr Uotinen is Finnish, a former associate of Carolyn Carlsen when she was working at the Paris Opéra, and currently ballet-master and choreographer of the Helsinki City Theatre. He has also created for the Finnish National Ballet, and his work uses dance as springboard into a more theatre-orientated form. *Scream*, which dates from 1984, would to be a convincing example of his style.

It is a solo about grief at the loss of a beloved—loss which has urgent physical expression as well as a vivid communication of emotional despair amid a flood of sexual memories. The lost beloved appears as a vision—Helena Lindgren is seen as a spectral figure, partly clothed, then naked, finally as a mourner, at the back of the stage—but the demands of the piece fall on Mr Uotinen, whose powerful technique and no less powerful projection of feeling expose the desperate imaginings of a young man bereft.

Scream, is danced to, and with, Schubert's Death and the Maiden quartet (wildly over-amplified), and Mr Uotinen establishes a sure relationship between score and dance, most intriguingly in the second movement's variations on the song, which he treats as separate but related episodes concerned with images of sorrow and longing. He is not slavish in following the music, but pins dynamic effects — stamping, repeated gestures — into Schubert's formal patterns to confirm the subliminal links between the music's inspiration and his own commentary upon it.

A table, a chair, a frock and a pair of women's shoes, are the properties on which the dance focuses. These, and the excellent lighting by Claude Naville, are the necessities of a staging brought to life by Mr Uotinen's controlled passionate performance. He produces a remarkable range of movement, from gesture that seems torn from his psyche as he clutches his mouth in a scream, to bursts of wild energy and moments when arm positions either float in the air or move in an arc of strobe-like images. He turns the girl's dress into a potent evocation of her presence, touching each eye with a corner of the garment with a refined dignity of a Noh actor miming grief.

There are obscure moments, and the score's length proves a slight problem, but all in all this is a performance by a strongly communicative and imaginative talent, well worth seeing.

Orpheus in the Underworld/Coliseum

Martin Hoyle

The audience enthusiasm for Gerald Scarfe's designs sets the tone for Offenbach's *Orpheus* at the Coliseum. English National Opera's first revival of last season's success confirms initial misgivings: not only does the exuberantly inventive visual side come near to swamping the stage goings-on, but the abrasive comment implicit in the sets and costumes actually defines an attitude, something that David Pountney's production uncharacteristically seems unwilling to do.

Rows of trim houses with giant human-visaged chimney-stacks, grim or demure, swivel round to reveal the depravity beneath Victorian respectability. The programme quotes both Mary Whitehouse and Mrs Thatcher's "Victorian values" creed (essentially *minority* attitudes, surely?), thus missing the chance of satirising today's real vices which lie elsewhere than in sexual hypocrisy. Indeed, sex comes in for traditional un-liberated mockery, as with poor John Styx, got up as a corsated sado-masochist.

Little of the new translation (Pountney and Snoo Wilson) comes over. Aristaeus's opening couplet on his bees strikes a promisingly Bea Lillie-like note of arch propriety which is soon submerged when the comedy, including strenuously untidy choreography for bees and flowers, is laid on with a trowel.

Among the individual performances, Terry Jenkins as Orpheus resembles a hairier version of Albert the Good until he flings off his plaid Inverness to reveal silver-lamé suiting and an instrumental ability with teeth and feet that recall Jimi Hendrix. Lillian Watson's Eurydice is pert, pretty and mellifluous, the coloratura marred only by a slight strain in the highest reaches. In a revival sponsored by Mercury Communications the show is aptly stolen by that quicksilver deity. Bonaventura Bottone bounds on, does a tap routine, leers at the adoring audience and confirms that his hilarious Nanki-Poo was no fluke.

Sally Burgess's Public Opinion, a Mrs T clone trundling on in a marvellous cross between a bustle and a black bombazine pulpit, is slightly squally under pressure—the Act 1 finale needs the incisiveness of Felicity Palmer's battle-axe Katisha—and that stalwart of style, Emile Belcourt, is a muted king of Hades, on the first night in dry, wavery voice. Richard Angas makes an impressive if throaty Jupiter (that bluebottle disguise is worthy of a horror film; the embrace with Eurydice transports us to Streatham again). James Holmes leads a clean, well-drilled musical performance.

Daphne/Grand, Leeds

Max Loppert

Daphne, Richard Strauss's "bukolische Tragödie" (Op. 82) in one act, was completed in 1937 and first performed (in Dresden) a year later. Before Friday's Opera North opening it had been heard in this country only on record; the occasion was therefore one of great importance, and also of some musical splendour. There are reasons why this opera has not formed part of the world-wide rediscovery of late Strauss — the less good features of Philip Prowse's production (in his own designs) made the point especially clear. But *Daphne* contains a great deal of beautiful music, in Strauss's most tender, limpidly scored, neo-pastoral "final phase" manner; and, having heard it in a theatre of Grand intimacy, played and (for the most part) sung with considerable distinction, one could only add another medal of honour to this young company's already sizeable collection.

The usual charge posed against *Daphne* is that it is inherently untheatrical — slow and static in dramatic substance, hard to realise in those few events it does produce. Strauss had already lost Hofmannsthal (dead in 1929) and the Jew Stefan Zweig (who had left for Switzerland after the *Schweigsame Frau* crisis) as librettists; and Josef Gregor, Zweig's replacement, though his awareness of Strauss's Attic sensibilities was to bear fruit in both *Daphne* and *Die Liebe der Danae*, was no great master of the operatic word.

It is true that the libretto of *Daphne* is heavy, verbose, insistently literary in tone; but the shape of the action is supple, and the balance consistently well-judged. But the problem with the opera, rather, is that its drama is reposed entirely in the music — *is*, indeed, the music — and that any production which fails to take its tone and character wholly from the score will inevitably make it seem an unwieldy, even unworkable dramatic vehicle.

The very first bars, with their "Daphne motive," wide-spaced diatonicism, and translucent wind-band scoring, sum up the work's character and artistic environment; in this opera a protagonist unable to grow up escapes, in the magical final bars, into pure music itself (the last we hear of Daphne is, of course, the winding vocalize floating out of the laurel tree into which she has been transformed). How this "escape into music" represented the inner desires of an old composer in equivocal relationship with his times (and his Nazi masters) must remain the subject of fascinating, but ultimately fruitless, speculation.

Prowse, a manipulator of brilliant theatrical images, might have been an ideal choice for such a work. In the event, and in spite of an ingenious and attractive basic set (an arrangement of promontories surrounded by an enclave of gold-leafed hedges and roofed by a collapsible canopy), his staging gives the powerful intermittent impression of at-a-lossness, of a quizzical modern theatrical intelligence unable to work out what to do with so stubbornly music-dominated a work.

The lumpish treatment of the shepherds (who stomp around glumly in black dungarees) and the final appearance of Apollo as a Coward figure in evening dress with cigarette case suggested a vein of irony either ill-realised or inapposite; the Turandot-like exotic creatures who whiz about in Geoffrey Cauley's choreography during the Dionysiac celebration raised a pained smile. The characters themselves and the words they have to sing (heard here in Maria Massey Pelikan's translation) are left more or less to their own devices; there is a blankness at the heart of this performance, luckily, and in the authentic Straussian way, some expert orchestral playing under David Lloyd-Jones (excellent wind and brass) and a radiant account of the title role by Helen Field help to fill.

I was unprepared for the smoothness, charm and flow of Miss Field's Strauss singing. Perhaps the voice lacks the true *strahlend* quality of the German soprano type for which Daphne's music was written,, but her efforts in keeping it rounded, sweet-toned and easy throughout the exacting wide range of the vocal line prove for the most part extraordinarily successful. The presentation of the young girl, free-spirited, agile, and lissome in loose white cheesecloth, is the most appealing part of the production; and though the final transformation is crudely managed, Miss Field herself floats the final pages with wonderful freedom.

There are strong sonorous accounts of her Wagner-descended parents Peneios (Sean Rea) and Gaea (Patricia Payne, who deals well with the low E flat to which the part twice sinks). The two main tenor parts offer further evidence of the composer's near-inability — if it was not a total lack of sympathy—in writing for that category of voice; Peter Jeffes in the lighter role of Leukippos makes an ardently lyrical impression, but William Lewis sounds more strained than heroic as Apollo. (Like Jupiter in *Danae*, this portrait of a god who abuses his powers and then regrets doing so is a noble creation.) An evening both short (an hour and three-quarters) and full that is, in sum, well worth attending.

Black Flowers/Soho Poly

Martin Hoyle

The hour-long two-hander in this little basement theatre off Great Portland Street takes as its starting point the potent image of the merry-go-round near the walls of the Warsaw Ghetto, where children played as the exterminations continued. Robert Jakobsson researched Nazism for two years to compile this impressionistic montage of recollection, fantasy and aspiration.

The Swedish Teater Albatross returns to Britain after successful performances at last year's Glasgow Mayfest. Both theme and content—eye-witness statements of atrocities, the autobiography of survivors, the words of such ranking Nazis as Goering—almost defy criticism. Unfortunately the abstrüsse stylisation of much of the action and the sometimes incomprehensible English of the actress Nadia Scapoli (possibly a more important factor in London than Glasgow) render the evening heavy with portent and load it with bathos.

Mr Jakobsson is his own leading man, and plays Jewish and Nazi characters besides brave Bishop Preysling. One of the few Catholic churchmen to oppose the genocide in Germany, he is here seen miming the typing of a letter to the Pope on a huge invisible keyboard high above his head. A similar stylisation turns the great-coated German into a flapping bird of prey lolloping around the stage. Both performers break off to dance to haunting mid-European melodies, and Mr Jacobsson slouches and stamps into an imitation of the death-trains. He also dances with glass flasks as he rhapsodises about building a monument to the future, recalling Chaplin's number with the globe in *The Great Dictator*.

His words are clearer than those of his companion. His jerky and occasional breathless rhythms are at least intelligible. Miss Scapoli unforgivably fluffed and stumbled over the harrowing account of the murder of Jewish babies by German guards. The courage of both players is not in doubt, nor the sincerity of directors Lars Mattsson and John Bergström. In an alien tongue at least, the show lacks shape and clarity.

Arts Guide

May 1–7

Music

NETHERLANDS

Utrecht, Vredenburg. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Augustin Dumay, violin: Beethoven (Thur). Recital Hall: Viktor Libermn, violin and Alexander Warenberg, piano: Beethoven (Tue). (31 45 44).

PARIS

Gerard Parmentier, piano: Bach, Busoni, Schubert, Brahms (Wed). Salle Gaveau (4563 2030).

Les Arts Florissants, William Christie as conductor and harpsichord soloist: Lully, Charpentier (Wed). TMP-Chatelet (4233 4444).

LONDON

Royal Philharmonic Orchestra conducted by Antal Dorati with Anne-Sophie Mutter, violin. Brahms. Royal Festival Hall (Tue). (928 3191).

NEW YORK

Carnegie Hall: Isaac Stern violin recital. Mixed programme (Tue); Oratorio Society. Lyndon Woodside conductor. Mozart Elgar (Wed); Philippe Bianconi piano recital. Mixed programme (Thur). (247 7800).

WASHINGTON

National Symphony (Concert Hall): Hugh Wolff conducting Kathleen Battle soprano. Mozart, R. Strauss (Tue); Rafael Fruhbeck de Burgos conducting. Jose Feghali piano. Stravinsky, Liszt, Beethoven (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony Youth Concert (Orchestra Hall): Kenneth Jean conducting. Stravinsky, Saint-Saens, Rimsky-Korsakov, Haydn, Mussorgsky, Donald Erb, Fucik (Tue, Wed, Thur, 10.30 and 12). (485 8111).

Chicago Symphony Chamber Series (Orchestra Hall): Virtuosi di Landolfi. Prokofiev, Uhl, Ives, Maxwell Davies (Wed, 5.45). (435 8111).

TOKYO

Atsuko Jinzai, piano. Haydn, Brahms, Schumann. Tokyo Bunka Kaikan. Recital Hall. (Tue). (573 3588).

Ensemble Franc. Tchaikovsky, Mahler, Schoenberg. Ishibashi Memorial Hall (Tue). (382 4325).

Opera and Ballet

PARIS

Elektra conducted by Kent Nagano with Helga Dernesch, Gwyneth Jones and Cheryl Studer alternates with Maguy Marin's ballet Lecons de Tenebres to Couperin's music conducted by William Christie in which light is created out of chaos and darkness. It is followed by Lazzini's La Fille Mal Gardée in a refreshing pantomime version. Paris Opera (4266 5022).

Pina Bausch and the Wuppertal's Tanztheater reveal through remorseless questioning the essential in man in two alternating programmes: Gebirge and Kontakthof. Théâtre de la Ville (4274 2277).

Ballet Antonio Gades at the Palais des Congres (4266 2075).

LONDON

Royal Opera, Covent Garden: The double bill of Stravinsky's Nightingale and Ravel's L'Enfant et les sortilèges that introduced David Hockney as a Covent Garden designer a few years ago returns with David Atherton as conductor, Ann Murray once again leading the Ravel, Phyllis Bryn-Julson's high soprano now being heard in both pieces, and a large cast of singers and dancers to undertake John Dexter's rather unmusical but quite lively productions. Last performances of Otello, with Vladimir Atlantov as a stentorian hero, and Julia Varady as Desdemona, conducted by Edward Downes. (240 1066).

Englisch National Opera, Coliseum: Orpheus in the Underworld, an ENO Offenbach show more famous for Gerald Scarfe's elaborate designs than for real wit, satire, or Offenbachian zest, returns to the house for a round of performances led by Terry Jenkins, Lillian Watson, Emile Belcourt and Richard Angas, conductor James Holmes. Further performance of the Don Giovanni revival excitingly conducted by Roger Norrington; Simon Boccanegra, in David Alden's dreary surreal staging, is at least well sung (by Jonathan Summers, Gwynne Howell, and Janice Cairns) and conducted by Mark Elder with genuine Verdian sweep. (836 3161).

WEST GERMANY

Hamburg. Staatsoper: Don Carlos stars Margaret Price, Nicolai Ghiaurov, Giacomo Aragall and Giorgio Zacanaro. Hamburg Ballet Days (35 11 51).

Frankfurt Opera: Orpheus in der Unterwelt in Jürgen Tamchina's production, with Sharon Markovich and Hans Peter Blochwitz. La Bohème has a particularly stong cast with Alberto Cupido and Yoko Watanabe, conducted by Micheel Boder. Busoni's rarely played Doktor Faust returns with Günter Reich in the title role. William Forsythe's new ballet The Loss of Small Detail rounds off the week. (2 56 21).

Cologne, Opera: Fidelio has fine interpretations by Maria Slatinaru, Hans Günter Nöcker and Hermann Winkler. Zar und Zimmermann brings Marianne Hirsti, Ludwig Baumann, Martin Finke and Ulrich Hielscher together (2 07 61).

Staatstheater Stuttgart: Cav and Peg has fine interpretations by Eva Randova, Wolfgang Probst, Julia Conwell and Raymond Wolansky. Madame Butterfly takes the leads Carmen Mammoser, Awilda Verdejo, Karl-Heinz Eichler and Mark Munkittrick. Don Giovanni, sung in Italian, stars Inga Nielsen, Wolfgang Schöne and Roland Bracht. Falstaff is a well done repertoire performance. (2 03 21).

NETHERLANDS

Amsterdam, Muziektheater. Still Waters performed by the Carolyn Carlson dance group (Wed). Premiere of the Netherlands Opera production of Puccini's Madam Butterfly directed by Monique Wagemakers and designed by Hermann Soherr. The Netherlands Philharmonic conducted by Charles Badea, with Hiroko Nishida (Cho-Cho-San), Franco Farina (Pinkerton), Judith Christin (Suzuki), and Malcolm Donelly (Sharpless). (Thur). (255 455).

Breda, Concordia. The Nederlands Dans Theater with The Unsung (Limon) and L'Histoire du Soldat (Kylian/Stravinsky). (Tue). (13 57 00).

The Hague, Koninklijke Schouwburg. Rosalind Newman and Dancers from the United States (Tue). (46 94 50).

Scheveningen, Circus Theatre. The National Ballet with Before Nightfall (Christe/Martinu), Corps (Van Manen/Berg), Seventh Symphony (Van Schayk/Beethoven (Thur). (55 88 00).

NEW YORK

City Center Paul Taylor Dance Company.

New York City Ballet (New York State Theater): More than 40 works by Balanchine, Robbins, Peter Martins and other choreographers will be part of the two-month-long 86th season, including the new works by Martins set to music by Handel and Michael Torke. Ends June 28. Lincoln Center)870 5570).

FINANCIAL TIMES
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Tuesday May 5 1987

A yen for J-curves

EXPECTATIONS OF last week's talks between President Reagan and the Japanese Prime Minister Mr Yasuhiro Nakasone were never more than modest. As Churchill might have put it, both men have reached a point in their political careers where they have a great deal to be modest about; and as far as the huge trade imbalance between their respective countries is concerned, the pronouncements from Washington at the weekend simply confirm that neither has much room for manoeuvre.

In President Reagan's case the limitations are self-imposed and short-sighted. The US trade deficit is a reflection of the large imbalance between savings and investment that has opened up in the US economy since the tax cutting programme of 1981. By refusing to address the resulting increase in the budget deficit by increasing taxes, this supposedly liberal president has made a notable contribution to the build-up of protectionist pressure in and out of Congress.

In contrast, Mr Nakasone has shown more impressive leadership qualities. But having recently failed to railroad the Japanese Diet into accepting his sales tax proposals, he has jeopardised any possibility of structural reform in Japan's heavily distorted land market or liberalisation in agriculture, which together hold the key to the longer term reduction of the trade surplus.

Vicious circle

Against this political background, the real need is to buy time to prevent further trade friction until structural reform becomes feasible again. On this score it is hard to generate much enthusiasm for the two genuine novelties that Mr Nakasone pulled from his hat in Washington. The proposed reduction in short-term Japanese interest rates could well do more to promote speculation on the Tokyo stock market than to stimulate domestic demand or prompt dollar-shy Japanese investors back into this week's US Treasury bond auction in strength. As for the plan to direct more capital to the Third World it remains to be seen how easily or efficiently this \$30bn can be absorbed.

The irony in all this is that the yen has already appreciated more than enough to cause a significant fall in the volume of Japanese-US trade, even though the Japanese trade surplus continues to rise in dollar terms; by the same token, the rise in the value of dollar imports into the US tends to mask the upturn in the volume of US exports. The result is that policy is trapped in a vicious circle. Private capital is reluctant to take over from the central banks in supporting the dollar until the current account imbalance stops deteriorating. Yet the current account figures cannot improve until the exchange rate stabilises, to let the succession of so-called J-curves work themselves out.

The difficulty is compounded on the US side because the dollar has not been devalued against other Pacific economies. The US deficit may thus take longer to correct as South Korea, Taiwan and others gain comparative advantage at Japan's expense. In the meantime, US bond markets become more nervous about import cost inflation as the dollar plunges further.

Speculative bubble

The most painful way out of the impasse is to tighten US monetary policy, thereby slowing growth at home and exacerbating the debt problem in domestic and international markets. The more sensible prescription is a sizeable US issue of foreign currency bonds, along the lines adopted by the Carter Administration in 1979. This would give a firm signal to the markets that the dollar was solidly underpinned, because any further devaluation would cause swingeing increases in the dollar cost of servicing the fast appreciating foreign currency debt. It would also mop up excess liquidity in Tokyo, so helping stave off a financial crash that is beginning to look a serious possibility.

The US Administration is hostile, partly because President Reagan is reluctant to follow in his predecessor's footsteps. But as long as Congress persists in measuring trade performance in current dollars instead of looking at the change in the real trade balance, this is the best short term way of taking the heat out of the US-Japanese trade war and damping down the speculative bubble in Tokyo.

New ways with nuclear waste

THE BRITISH Government's smart about-turn on its policy for the shallow burial of nuclear rubbish no doubt set the bells ringing in four threatened villages in Tory constituencies, but it also provided a lesson in how not to run a nuclear waste policy.

The decision to abandon the idea of shallow burial was, it must be said, right: whatever the technical merits of the scheme, popular fears of nuclear radiation have become so strong that planning consent could not have been won at any of the four sites without a major battle. Much national sympathy would be with the local objectors. In this case, the authorities would not have been able to argue, as they did at the Sizewell nuclear power station inquiry, that their proposal for wastes with low levels of radioactivity was the best and safest available.

The alternative is to bury them deep—perhaps a quarter of a mile below the surface—with the more dangerous "intermediate" level wastes, as is done in Sweden and West Germany. A planning inspector might well have judged this preferable, since it is, as the Government now concedes, an even safer method. The Government and the nuclear industry radioactive waste executive (Nirex) are therefore wise to avoid the contest and to opt for deep disposal.

Fallible experts

Even so, the decision was reached in a shambles of muddle and bad timing, which provoked all too plausible allegations that the Government gave way to short-term electioneering pressures in the four Tory constituencies where shallow burial sites were being investigated.

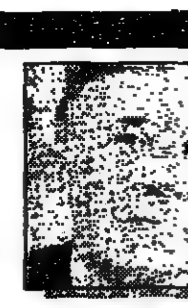
Since its formation in 1982 Nirex, the company set up to deal with low and intermediate level wastes, has been campaigning against fierce opposition for a new shallow burial site in addition to the nuclear tip at Drigg in Cumbria. Nirex and its owners in the nuclear industry have repeatedly assured the public that shallow burial was safe, cheap and necessary. The industry has been privately intolerant of opposition to its schemes for waste disposal, and its public relations have often been inept. Although much opposition to nuclear waste disposal is no doubt based on fear and ignorance, the industry has been far too slow to recognise that some of the public's anxieties are soundly based. Experts are fallible: for example, official assurances that the effects of Chernobyl radiation would disappear after a few months proved wrong. A year later the movement and slaughter of sheep are banned in some parts of Britain.

Absolute safety

Until last week the Government had given fairly vigorous support for the idea that a new shallow burial tip was needed, pressing ahead with a special development order for test drilling at the four possible sites, only one of which would have been chosen. In the face of militant local opposition, Nirex managed to get its drilling crews in place, and by the turn of the year was quietly congratulating itself that all was going surprisingly smoothly. Then a few weeks ago, Nirex discovered, or was persuaded to discover, that shallow burial had become much more expensive than previously thought. Instead of being only a quarter of the cost of deep disposal, as was estimated a couple of years ago, it turns out that the marginal cost of putting the trash deep underground is hardly more than putting it near the surface.

Mr Nicholas Ridley, the Environment Secretary, cancelled the test programme with great alacrity, declaring on television that he had only just received the new costings — rather as if they had just popped out of a toaster. Yet it has been obvious for a long time that public opinion would not tolerate cheap dumping of nuclear waste, even if its radioactivity was minimal. The problem is too political to be left to scientists and too hazardous to be left entirely to politicians. The only answer is for the Government or its successor to put some energy into finding a long-term scheme for medium and low level waste disposal, to develop more imaginative ways of winning over local communities, including perhaps more generous compensation, and to be more effective in getting the scientific facts understood. Above all, it must convince the public that the authorities' new goal is as near as possible to absolute safety—rather than adequate safety at the lowest cost.

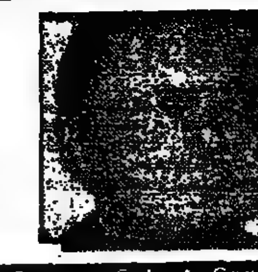
IRANGATE - THE INQUISITION



Criminal Inquiry
Lawrence Walsh Independent Counsel leading inquiry
Appointed by Federal Court on Dec. 19, 1986 after Ed Meese, US Attorney, stepped down. Inquiry could last one year. Possible indictments and trials to follow.

Senate Intelligence Committee
Chairman David Boren
Hearings opened Dec. 1986. Report published Jan. 29, 1987

National Security Council review board
Appointed by Reagan, Nov. 26, 1986. Reported Feb. 26, 1987.



House Select Committee / Senate Select Committee
Public inquiries set up Jan. 6-7, 1987. Now effectively merged-will report this autumn.

The unmaking of Mr Reagan: part two

By Lionel Barber in Washington

THE Congressional hearings into the Iran-Contra scandal, which open before television cameras on Capitol Hill today, signal a dramatic new phase in the affair.

Three months of live broadcasts will create a natural cast of heroes and villains: the intrepid House and Senate interrogators, the shapely White House shredder, Fawn Hall, two star witnesses—Lt Col Oliver North and Rear Admiral John Poindexter, and a motley band of former CIA agents, freelance diplomats and international arms dealers, who make up this bizarre and complex tale.

Comparisons with the Watergate hearings of 14 years ago are inevitable, if misleading. Unlike his Republican predecessor, Richard Nixon, President Ronald Reagan has co-operated fully with the various investigations, even agreeing to hand over extracts from his handwritten diary. Despite some doubts about the role of Edwin Meese, US Attorney General, there is little evidence of a cover-up of the magnitude which drove Mr Nixon from office.

The nature of the scandal, too, is very different. This is no domestic abuse of executive power aimed at rigging a presidential election. The essence of Irangate is how a small group of US Government officials created a secret and private foreign policy which bore little resemblance to its official public version. How this happened—and how to prevent it recurring—is the challenge of the joint House and Senate inquiry.

When it first broke in early November, the Iran affair appeared to be a colossal misjudgement on the part of Mr Reagan and his advisers. By selling arms secretly to the Iran Government, the US broke its long-standing policy of neutrality in the Iran-Iraq war and undercut a commitment to its people and to its allies not to negotiate with nations sponsoring terrorism.

It became a scandal three weeks later when Mr Meese announced, after a brief informal inquiry, that up to \$30m (£18m) of profits from the arms sales had been diverted to the Nicaraguan Contra rebels, thereby breaching a congressional ban on all direct and indirect US military aid.

The instant sacking of Col North, the White House aide identified as running the undercover operation, coupled with the resignation of his mentor, Admiral Poindexter, President Reagan's national security adviser, resulted in four separate inquiries, two of which are complete.

The senate intelligence committee report showed how the Reagan Administration, with the connivance of the Israeli Government, traded arms for American hostages held by pro-Iranian extremists in Lebanon.

The Tower Review Board—set up by President Reagan to examine the workings of the National Security Council—produced, at the end of February, a 200-page report which portrayed a detached president, badly served by his advisers pursuing a rash and ill-conceived Iran policy.

Today's start of the House-Senate hearings will give fresh impetus to the affair which will last well into the autumn, when a joint committee report will be published. Even then, the final chapter remains to be written because a court-appointed independent counsel, Lawrence Walsh, is pursuing a separate criminal investigation, which could result in indictments against key players in the scandal.

The Tower board was able to draw the Iran policy in sharp detail. But in the few weeks available, the three-strong panel, led by the former Texas Republican senator, John Tower, was unable to give a clear picture of how the arms sales profits were diverted to the Contras.

After three months of inquiries, which have seen 200 people subpoenaed and more than 100,000 pages of documents locked up under armed guard in committee rooms on Capitol Hill, congressional investigators are now confident that they have traced the money trail and the main figures involved.

So far, attention has focused on the tall marine with the toothy grin, Oliver North. A Vietnam war hero with a taste for the role of globe-trotting troubleshooter, Col North was undoubtedly the Administration's point man in the undercover effort to keep arms flowing to the Contras during the 1985 congressional ban.

Yet this was well documented. The New York Times described the dubious activities of a White House-based aide in the summer of 1985, but withheld the name on national security grounds. He was later named as Col North by the Washington Post. Senator John Kerry, a Massachussetts Democrat, produced still more damaging evidence in a detailed report last year. But such was President Reagan's political standing, that his opponents and the press failed to make any impact.

Less well known was how Col North doubled up as hostage negotiator and arms supplier to Iran (though a syndicated Jack Anderson and Dale van Atta column on June 29 1986 stated: "We can reveal that the secret negotiations over arms supply and release of American hostages have involved members of the National Security Council and a former official of the CIA").

But congressional investigators have already discarded the popular theory that the Iran-Contra operation was run by a power-hungry marine from a basement in the White House. Siphoning profits from the arms sales to the Contras required a sophisticated financial brain, able to keep track of the millions of dollars flowing through Swiss banks, offshore companies and private arms dealers' accounts.

The two obvious candidates for Congressional scrutiny are the retired former air force general, Richard Secord, who, with his Iranian business partner Albert Hakim, is well known in the international arms trade.

Mr Hakim made his entrance to the story in 1986 as an interpreter for Col North in his officially blessed meetings with Iranian Government officials. But he is also the business brain in Democracy Inc, the grandly named umbrella project set up four years ago to supply arms to the Contras and other anti-Communist groups around the world. Mr Secord, who in 1981 was a senior official in the Pentagon working with Col North during the Administration's successful lobbying of Congress to approve the sale of an Awacs airborne early warning system to Saudi Arabia, also played diplomat and arms dealer.

On the periphery, at least for the moment, are a string of former CIA agents who glided in and out of the Iran-Contra operation. According to the Tower Report, it was a former CIA agent, Theodore Shackley, who first suggested—in a 1984 memo to the State Department—that the American hostages could be released for money.

A second Shackley memo in the summer of 1985 contained a suggestion from the Iranian arms dealer, Manucher Ghorbanifar (whom the CIA had attempted to recruit five years earlier) that the ransom involved terms "other than money," presumably weapons.

Further members of the CIA "old boy" network who figure include Thomas Clines, a disgraced former agent, and Felix Rodriguez, a Cuban Bay of Pigs veteran who helped to establish a Contra aid network from the Ilopango air base in El Salvador.

This begs the question of whether the CIA itself was heavily involved in the Iran-Contra affair, notably through its then director of intelligence, William Casey. One striking thing about the Tower Report is the numerous memos from Col North appealing for the CIA to take control.

"What we most need is to get the CIA re-engaged in this effort, so that it can be better managed than it is now by one slightly confused marine Lt Col," he wrote to Admiral Poindexter on June 10 1986.

One theory — expounded by William Safire of the New York Times — is that Mr Casey, a fervent supporter of the Contra cause, knew that the only way to circumvent Congress's ban on CIA involvement was to place the operation in National Security Council hands, where the legal restrictions on covert operations and Contra aid were far less clear.

Mr Casey, a brain cancer victim, is too sick to give his sworn testimony, which leaves the agency exposed to speculation and criticism. One of the key issues in the Congressional inquiry will be whether—as in the aftermath of Watergate—Congress instigates yet another debilitating purge of its intelligence service.

A more immediate problem for the country is that the hearings will continue to distract the Administration and push the 76-year-old President back on the political defensive. They are bound to affect Mr Reagan's hopes of securing \$105m of funding for the Contras in September and, by raising the nagging question of competence, they could affect his chances of persuading the Senate to ratify an arms agreement with the Soviets.

"More generally, the Iran-Contra affair and the numerous investigations will help create some of next year's presidential election themes: honesty, integrity and sound judgment in Government. They could destroy one candidate, Vice-President George Bush, and launch another — watch Democratic Senator Sam Nunn of Georgia step into the limelight on the Senate select committee. As Col North once exclaimed to Admiral Poindexter: "This is the damnedest operation I have ever seen."

WILD-CARD WALSH PLAYS HIS HAND

LAWRENCE WALSH, the 74-year-old court-appointed independent counsel leading a criminal inquiry into the Iran-Contra affair, is the wild card in the pack of investigations.

His team includes 23 associate counsel, 35 FBI agents and 11 Internal Revenue Service officials. Together they have already conducted 360 interviews, reviewed hundreds of White House boxes of documents and 200,000 pages of CIA memos.

His mandate is very broad, covering all aspects of the Iran arms sales and the private Contra aid network. But, because he is working under tight secrecy, along with a grand jury, little is known of who his targets are and what charges he might bring. One area *to be explored is the question of tax fraud involving private* donations to pro-Contra organisations.

Mr Walsh's job is to decide whether crimes have been committed and, if so, to prove it. His task differs, therefore, from the Congressional committees, which have been set up to discover the truth on a matter of national importance and to tell it to the American public.

He has clashed repeatedly with senators and congressmen over one issue: whether to grant limited immunity to key witnesses to compel them to testify. The advantage is that it removes the Fifth Amendment right to silence (invoked by Col North and Admiral Poindexter) and compels testimony. The disadvantage is that it may prejudice Mr Walsh's case.

Independent counsel cannot use evidence given under protected testimony, so Mr Walsh has urged the committees to delay granting immunity. The joint congressional committees have partly complied, agreeing to an elaborate timetable to call witnesses at staged intervals to give counsel maximum time to prepare his criminal case.

***Mr Walsh pointed out last week, in an interim report to* Congress, that no protected witness in Watergate who refused to plead guilty was successfully tried and convicted. But in a clear message that he means business, he filed his first criminal charge: one count of conspiracy against the conservative fund-raiser for the Contras, Carl "Spitz" Channell.**

White House seeks watchdog

With Wall Street scandals unfolding thick and fast, White House aides had hoped to find a replacement for John Shad as chairman of the Securities and Exchange Commission within 10 days of his nomination as US ambassador to the Netherlands. But the informal deadline passed six weeks ago and no new watchdog has yet been named.

When Donald Regan left as President Reagan's chief of staff, his list of potential chairmen was thrown out by the staff of Howard Baker, his successor.

But the new men could not decide what they wanted. "When we first got here, we thought we wanted a hanging judge," one said. "Now our concern is to have an untarnished statesman who understands the industry."

Trouble is the number of untroubled firms from which such a man could be drawn seems to diminish daily. Moreover, some potential candidates might be reluctant to drag their Wall Street fortunes through the confirmation hearings of the Senate Banking Committee. Faced with these difficulties the White House is said to be working from an "A" list and a "B" list.

One of the "A" front runners appears to be Arthur Levitt Jr, chairman of the American Stock Exchange. He knows Wall Street well yet has not worked for one of its firms since he left Shearson Hayden Stone, a predecessor of Shearson Lehman Brothers, in 1978. His biggest drawback is his Democratic Party membership, though this could be overlooked.

Another is John Whitehead, deputy Secretary of State and former co-chairman of Goldman Sachs. He might have hurt his chances by contradicting some of President Reagan's public statements on the Contra arms deals.

If the search drags on much longer, the White House might have to settle for someone on its "B" list which includes two current Republican SEC commissioners, Charles Cox and Edward Fleischman.

Senator William Proxmire, who as chairman of the Senate Banking Committee will have considerable influence on the outcome when the nomination gets to Congress, has made his own preference clear. He wants Rudolph Giuliani, US Attorney for the southern district of New York, who with the SEC has cracked the spectacular insider trading cases ranging from Ivan Boesky down.

Giuliani was approached but turned it down. He has often said he wants to run for elected office — many New Yorkers suggest he is eager to be their next mayor.

Men and Matters

Canadian revival

One of the great names in North American corporate history was resurrected on Saturday at a ceremony in the Canadian prairie city of Winnipeg's Museum of Man and Nature.

The occasion was the revival of the defunct North West Company (NWC), the spirited Montreal-based group of pedlars who vied for almost a century with the more staid Hudson's Bay Company (HBC) for control of the North American fur trade.

HBC eventually absorbed its arch-rival in 1821. But the Nor'Westers' name will now live on in a chain of 178 remote northern Canadian stores which HBC decided to sell earlier this year to the stores' senior management and a group of financial backers. Besides various Canadian investors, shareholders in the reincarnated NWC include Sir Martin Jacomb, chairman of Kleinwort Benson, the British merchant bank.

The change in ownership cuts off HBC, North America's oldest commercial enterprise, from a key part of its heritage. Although the present-day stores no longer exchange industrial artefacts for beaver pelts, many of them serve the same remote Indian and Inuit (Eskimo) communities as the trading posts set up by HBC pioneers—many of them Orkneymen—between the 17th and 19th centuries.

Neither the timing nor the place of Saturday's ceremony was coincidental. May 2, known throughout HBC as Bay Day, was the 317th anniversary of the charter granted by King Charles II to his cousin Prince Rupert's Company of Adventurers.

"You didn't seriously expect them to wait until after the election did you?"

Rolls out

In Budapest itself, and in the countryside bordering the Danube, the reaction was invariably the same: A casual first glance; a second take to gladden the heart of any ad maker — then head-scratching disbelief as the convoy whispered by . . .

The Politburo annual works outing?

Hardly likely, given the winged mascots on the Grecian-temple radiators and the glimmer of Western luxury from each deep-polished panel. And even less likely, given the motley array of casually-dressed, even bearded, types driving them.

What the bemused Hungarian-in-the-street was witnessing was a series of test drives staged by Rolls-Royce of the latest Rolls and Bentley versions it is soon to put on sale. Driving them were representatives of the western press. The exercise will continue over the next two weeks, in the most ambitious launch programme Rolls has ever undertaken.

Peter Ward, Rolls' newly-appointed chief executive, was clearly delighted with the venue (his personal brainwave).

So, quite clearly, were the foreign exchange-seeking Hungarian tourism authorities who saw Rolls' presence as a second major coup following the first Grand Prix motor race last year at the nearby, newly-built Hungaroring.

What made Ward decide to take the archetypal face of capitalism (or, rather, faces—for there were more than a dozen cars) into the Communist east?

The search for somewhere "different," he retorts, and where, with little traffic and good roads, the cars could be put through their paces with ease.

Not surprisingly, the Hungarians were long on admiration for the cars—and short on making any offers for them. As the Tourist Ministry's charming lady interpreter pointed out, the pay of the Hungarian worker averages 5,000 forints a month.

At prevailing exchange rates, he could hand over a cheque for the £80,000 Bentley Turbo R if he saved up all his pay—for exactly one century.

Outsider

From News of Old Boys in a Shropshire school magazine: "He had a wide knowledge of Africa having served in that part of the world as British High Commissionaire." That, of course, was before the Empire was demolished.

Observer

Foreign Affairs: The Middle East

The idea that refuses to go away

THE IDEA of an international conference to advance the cause of peace in the Arab-Israeli conflict has been floating about the international agenda for some months now. For some unaccountable reason, it refuses to go away.

On the face of it, it seems a hopelessly idealistic notion. Not merely do the differences between the potential participants on issues of substance appear to be as profound as ever, but within Israel even the very idea of a conference is fiercely opposed by half the coalition government.

Mr Shimon Peres, leader of the Labour alignment and Foreign Minister, is actively pressing the case; but Mr Yitzhak Shamir, leader of the Likud bloc and Prime Minister, is just as actively opposing it. Yet the idea remains obstinately resilient and may even be gaining ground.

It has been canvassed for some time by Jordan, Egypt and the Soviet Union, and more recently by the European Community, whose president, Mr Leo Tindemans, the Belgian foreign minister, is undertaking a series of visits to Middle Eastern countries.

The US, traditionally the godfather of outside diplomacy in the Middle East, was at first openly sceptical of the utility of any conference; but recently President Reagan has made a show of greater enthusiasm, and has urged Mr Shamir to reconsider his opposition to the idea.

The opposition of Mr Shamir and his Likud bloc is based on the proposition that a United Nations-sponsored conference would automatically start with at least three prejudices which would be dangerous for Israel's security. It would take as read the assumption that Israel must give up all the territories captured in the 1967 six-day war, the West Bank, the Gaza Strip and the Golan Heights; it would give a role to the hated Palestine Liberation Organisation; and it would give a role to the Soviet Union, whose machinations on behalf of left-wing rejectionist states like Syria are held to be almost equally malign.

Ostensibly, the Likud is in favour of direct, face-to-face bilateral peace talks between Israel and its Arab neighbours, and cites, as a spectacular vindication of this view, President Anwar Sadat's sensational visit to Jerusalem and the peace treaty with Egypt which followed the Camp David process.

Many people would regard the agreement with Egypt as a fantastic diplomatic bargain for Israel, since it won a peace treaty and a fundamental split in the Arab world in exchange for the Sinai desert. Yet Mr Shamir's office recently put out a document arguing that an international conference would undermine the Camp David accords, "for which Israel paid such a high price."

If there were to be a bilateral negotiation with King Hussein of Jordan, the stakes would be much higher and would certainly include, at a minimum, the future of the West Bank and Gaza and their Arab inhabitants. Yet to judge from Likud rhetoric, the West Bank was either given to the Israelis by God, or else is essential for their military security, or both.

The Labour Party, by contrast, has long been committed, at least in theory, to some version of the proposition that Israel should trade territory for peace.

Some, like Mr Abba Eban, the former Labour foreign minister, argue that, far from enhancing Israel's security, the 1.3m Arabs in the West Bank and Gaza represent a major threat to Israel's political integrity and stability.

"The divide in Israel", he told me recently, "is between those who think the present situation is optimal and those who take a tragic view of the *status quo*. *The structural* effects on Israel are disastrous: either we maintain a dual jurisdiction defined by race, as at present, in which case we become like South Africa; or else we integrate them into the Israeli political system, in which case we become just another Middle East state, like Lebanon."

Labour's preference — and in this respect its views are superficially similar to those of the Likud — would be that any substantive negotiation should be conducted bilaterally between Israel and Jordan, and exclude the PLO.

The difference is that, unlike President Sadat in 1977, King Hussein of Jordan is in no position openly to defy the rest of the Arab world by embarking on a separate peace negotiation with Israel. Mr Peres recognises that, if there is to be a negotiation, the King needs cover and that can perhaps be provided by the framework of an international conference.

The conference is now starting to look like a moderately live issue, because secret diplomacy has made progress on the terms of a multilateral conference and the link with a bilateral negotiation. But when an Israeli official claimed on Friday that there was an agreement between Jordan and Israel on the terms for a conference, what he really meant was that there was an agreement between Jordan and *half* the Israeli Government, which is slightly different. And even that much has been fiercely denied by a brace of Jordanian ministers.

The difficulty, as ever, is what to do about the Palestinians. The irrepressible Mr Yasser Arafat has once more emerged Phoenix-like at the head of a re-united PLO; but the consequence has been an apparent hardening of the PLO line.

If Mr Peres gets to first base with his conference, he will hope to ensure that Palestinian interests are represented by some tame Arabs from the West Bank and Gaza under a Jordanian umbrella. The objection to the PLO is not just that it is branded a terrorist organisation, but that it will not easily be dislodged from its demand for an independent Palestinian state.

Equally problematical is the question of the political mood in Israel. Obviously, Mr Peres is looking to the conference idea as the mechanism for breaking the left-right coalition.

Mr Eban claims that half the electorate is now ready to trade territory for peace, and that 80 per cent would be ready if negotiations actuallly started; but then he would, wouldn't he?

Given the post-war history of the Middle East, scepticism seems the healthy posture. As the man said, never make forecasts, especially about the future. Where the Arab-Israeli conflict is concerned, that injunction should probably be applied to the present, as well.

Ian Davidson

When the spoils of war will bring another battle

Tony Jackson on the fight to take over a French industrial gases company

L'AIR LIQUIDE, the French industrial gases giant, has only one word for the extraordinary international battle going on for control of its small and struggling French competitor, Duffour et Igon. It is, says L'Air Liquide, a *cafouillage*: a shambles.

The bid has seen four companies — Aga of Sweden, Linde of West Germany, Union Carbide of the US and Carburos Metalicos of Spain—fighting over a company with less than 5 per cent of the French industrial gases market. Yesterday's bid, from Aga at FFr 4,000 a share, is worth over £50m, around 40 times earnings.

There is doubtless a touch of corporate machismo about the contest, but there are also perfectly serious issues involved. Across the world, a handful of big gases manufacturers are snapping up their smaller rivals. And in Europe — a particularly attractive market—Duffour et Igon is one of the last independent companies on offer.

The surprising thing about this process of concentration is that it is happening so late. The industrial gases business — which takes air as its raw material and breaks it down into oxygen, nitrogen and so on —has a natural tendency to monopoly.

The industry's plants are hugely capital-intensive, and the product is not valuable enough to be shipped great distances. The supplier will typically build a dedicated plant next to his main customer — a steel mill, say—and supply him direct, selling the surplus in the local market. Competition only occurs on the edge of the plant's territory.

The only way for companies to expand their territory is to acquire each other. In the late 1970s and early 1980s, though, many of the world's big gases manufacturers were concerned with other things.

Paul Wietzel of London stockbrokers Hoare Govett, which has just produced a worldwide study of the industry, says "as the steel industry declined, the gas industry's response was to go into new areas. They haven't all been very successful — Union Carbide and BOC in graphite electrodes, Air Products in engineering, Big Three in oil services.

"That has all come home to roost in the past few years, and there is now a retreat from diversification. Instead companies are aiming to widen their geographical coverage, and that's making waves in Europe."

Not all companies are joining in. BOC of the UK, the world's second biggest gases company after L'Air Liquide, has no presence in Continental Europe. But "how to get into Europe is the big unanswered question," says Paul Bosonnet, head of BOC's gases business.

"We find it very hard to see how you build a defensible position in these markets. In each place you have two or three of the big players better established than you are. Dumping down a new plant may be good for morale, but not necessarily for the profit and loss account. You need a core busines to start from, which is why people are squabbling over Duffour et Igon."

In the UK it is BOC which is unassailable. The company now has a 70 per cent market share, having been forced to concede a share to Air Products of the US in 1961. It is also third largest in the two key markets of the US and Japan—though second largest in each case is the all-powerful L'Air Liquide.

With its share of the French market at close to 80 per cent, L'Air Liquide is not directly interested in the Duffour et Igon contest. "If we had been, we could have done the deal long ago," the company says grandly. Its own acquisitions are on a rather larger scale: last year, it paid $1.1bn for Big Three of Texas, so becoming number two in the US market, and DM 100m for Agefko of Germany, making itself world number two in carbon dioxide.

"We've made a lot of acquisitions in the last five years in markets where we weren't able to grow organically," L'Air Liquide says. "But once we have a leading position in a market, as we have in France, buying at these prices would be a mistake."

	Europe	US	Japan
L'Air Liquide	●	●	●
BOC	●	●	●
Union Carbide		●	
Air Products	●	●	●
Aga	●		
Linde	●		

● significant presence

For the bidders, it looks different. Dr Gunnar Eckendorfer, head of gases at Linde, believes the geographical imperative is all.

"You need to be in every country to make use of your know-how. If you are in gases or semiconductors or ship fabrication, there are only three or four customers in Europe. That problem applies worldwide."

Besides, Dr Eckendorfer argues, "The big companies have the R & D ability, which is becoming more essential every year and more expensive."

Paul Bosonnet of BOC agrees on the logic. "Looking around the world, the big six have taken a bigger share of the market, and the second-rank companies have disappeared.

"But there are some attractive independents left—Hede Nielsen in Denmark, and Hoek Loos in Holland, for instance. A number of companies in carbon dioxide are still very small, and there are quite a lot of local companies around the US, with one plant, say, serving the local area. These are the ones the majors fight over."

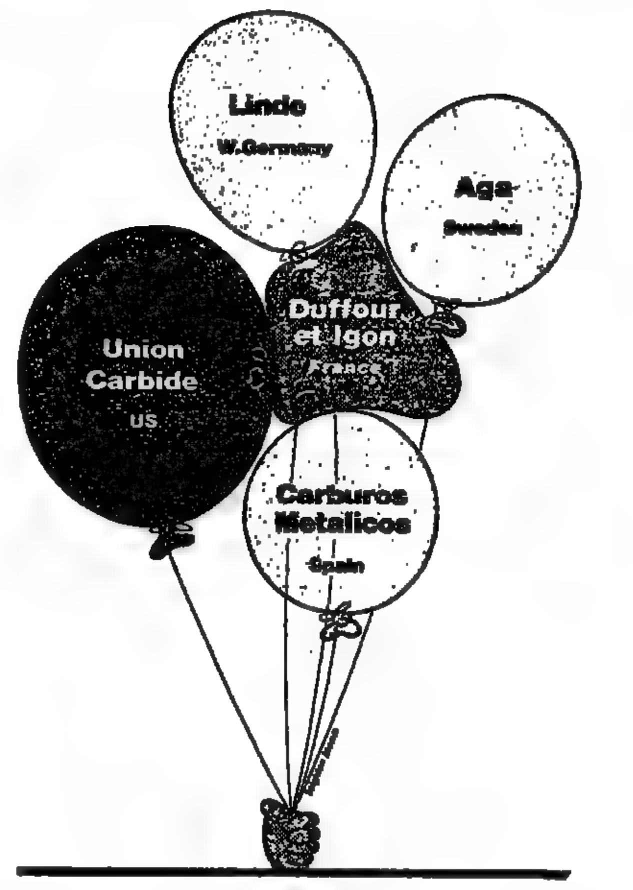
But Europe remains the chief attraction. David Guest of Hoare Govett says: "Europe accounts for 29 per cent of a world market worth $13bn, and it's a good area for gas companies. Though the customer base lacks an oil industry, and electronics are much smaller, the economy has been stronger."

Tonnage business is the term the industry uses for gas supplied from a dedicated plant, usually on a 15- or 20-year contract; cylinder business, the supply of gas in cylinders rented to the customer, again usually on contract; and merchant business, the highly competitive and low-margin sale of surplus gases on the open market (Duffour et Igon, says L'Air Liquide, has 8 per cent of the French cylinder market, very little merchant business and no tonnage).

The geographical shuffling is bound to continue. Paul Wietzel of Hoare Govett says "the Americans are underexposed in Europe—and in the Far East, but that's less attractive. Among the Europeans, BOC and L'Air Liquide are now up to weight in the US, but the Germans and Aga are not."

Taken all round, in fact, L'Air Liquide's position is formidable.

"We have put more money into the business than anyone else," L'Air Liquide says. "We have concentrated completely on acquisition and investment in industrial gases. We have the leading position, but it has taken an effort to get it." Whoever wins control of Duffour et Igon, plainly, has another battle to come.



Letters to the Editor

A building allowance

From Mr D. King

Sir,—The stock of rented houses has, since the war, dropped consistently and substantially and this is one of the reasons leading to lack of mobility for the unemployed who are thus inhibited from moving from parts of the country with high unemployment into areas where opportunities may exist.

In addition many require housing who are not able or willing to purchase and the declining stock of rented accommodation makes their position intolerable.

The Conservative Party has placed emphasis on home ownership which has been successful in that many are now proud owners but it has, if anything, exacerbated the problem of rented supply. The Labour Party has for so long regarded protection of the tenant as more important than provision of private rented housing with the result that the private sector has continued to decline mainly because the private landlord sees an uncertain future.

To achieve an increase in the stock of rented houses will in my view be very difficult or impossible without some form of financial or fiscal incentive. My proposal therefore is that a residential building allowance (RBA) (somewhat similar to the industrial building allowance (IBA) which was introduced and supported by both parties to encourage construction of manufacturing premises) should be introduced to encourage the provision of housing to rent.

It would provide an allowance of 10 per cent per annum of the actual and approved building cost against income or corporation tax for ten years. The developer would guarantee the use of the building for letting for residential purposes for the minimum period of ten years and would lose the allowance retrospectively if this was not maintained. Rental levels would be freely negotiated and not subject to control.

D. J. King.
7 Stratford Place, W1.

Small brokers forced out

From Mr D. Conway

Sir,—Congratulations to Mr Riley (April 25) for the best piece of financial journalism that I have read recently about life assurance. The industry has used the cover of a new regulatory system which is completely one sided for the benefit of life companies and will do severe harm to small brokers, who may be forced out of business due to the enormous rules and regulations and costs for complying with the law. It will prevent small brokers from growing to large brokers and provide less choice and service to the public. There will be more sales representatives working for insurance companies. This will be just like the giant supermarkets, establishing themselves at the expense of the small personal and local shopkeeper. Whoever expects service in a supermarket?

I cannot understand why brokers will have to disclose commissions to clients when there are so many services, eg accountants, and solicitors, who do not have to disclose in advance their expected earnings in fees or commissions! It is so obvious, that the life companies should not have been allowed to arrange the rules for their own objectives, and should have been enforced by an outside body, or government special committee, without any bias or axe to grind. Unfortunately, this bad law will need to be changed in the next few years but will be too late to save the majority of the broker service business.

David M. Conway,
62 Eastern Road,
Romford, Essex.

Non-executive directors

From the Chairman, Reward Consultants

Sir,—Like many, I welcome the continued pressure from Pro-Ned and the IoD for more and better independent directors on company boards. I would, however, question the stress placed on the supervisory role of such appointments.

An outsider will be tolerated and has a role to play in this position but he will be welcomed if he also brings two key attributes to the smaller company: the stimulation to move it out of traditional activities where 90 per cent of his colleages' experience will be and to which they will be overcommitted, and as a "father confessor" for directors and senior managers who cannot broach but need to be called on to put alternative policies. In this connection, the independent director can play a key role in insisting on certain items being on what can otherwise be the chief executive's personal board agenda.

Whereas accountants and bankers are often appointed to ensure proper management information and financing profiles they tend to under-appreciate the technical and market conditions in the particular world of a smaller or specialised business.

In very large groups with established information systems, capable of mounting sophisticated presentations of options to their directors, the supervisory and monitoring role may be paramount, but with so many newer companies growing to a point where they need independent directors, it would be a dis-service to the non-executive concept to lay too much emphasis on the control rather than the stimulation side of the job.

Peter M. Brown,
9 Savoy Street, WC2.

Accountants in management

From the Vice-President, Chartered Association of Certified Accountants

Sir,—I was interested to read your appraisal of the two new reports on management education (Management Page, April 29), but I feel bound to question one statistic which is extracted from the Handy document.

He is quoted as stating that Britain has over 120,000 qualified accountants, whereas West Germany has only 4,000 and Japan has 6,000. It would appear that the former figure has been ascertained by aggregating the memberships of the six major accountancy bodies (with some allowance made for dual memberships). A large proportion of the membership of these bodies, however, is to be found in industry, commerce and the public sector and only a minority is in public practice. On the other hand, the total of 4,000 for West Germany seems to be based on the membership of a body which is comprised wholly of auditors and has no membership in the other sectors. I suspect that West Germany has many more trained accountants and financial managers working in industry and commerce. It's those damned statistics again!

Who am I, however, to argue with Handy's conclusion that an accountancy training is often viewed as being a desirable background training for a career in management. Indeed, two UK managers who came to be acknowledged as top marketing men in their respective industries — the late Henry Lazell of Beecham, and Leonard Hardy of Lever Brothers—began their careers by qualifying as members of this association.

For all the laments about too many accountants in industry, it seems that many companies are anxious to recruit them as potential managers. Business management at senior levels requires an understanding of money as a resource and as a measuring tool and regrettably many managers drawn from other specialisms lack the basic skills in this area.

My view is that some of the business school tutors specialising in financial subjects have been too concerned with writing learned tracts (mainly read by their fellow academics) expounding their thoughts on the capital asset pricing model and investment analysis and they have neglected the large audience out there that is waiting to learn the basic skills of reading a balance-sheet and interpreting a profit and loss account. There is a job still waiting to be done.

Desmond Goch.
29 Lincoln's Inn Fields, WC2.

The voting system

From Mr G. Tinley

Sir,—As the election approaches there will be increasing talk about proportional representation. Your issue of April 29, for example, reports the initiative of the National Committee for Electoral Reform and the Electoral Reform Society to canvass all parliamentary candidates on their views. Among the letters on the same day Mr Bryn Glover points to the essential dishonesty of tactical voting.

The first objective of any reform should not be PR of political parties — although it is unsurprising that members of minority parties should seek what they perceive to be their fair share.

What is needed is an electoral system which accurately reflects voters' wishes about individual candidates — puts them in order, in fact. Good, bad or indifferent; red white or blue — whatever attributes appeal to voters.

If the system works and half the voters choose red candidates (whether good, bad or indifferent) then half the representatives will be red. If half the voters choose indifferent candidates (whether red, white or blue) then half the voters will be represented by indifferent candidates whatever the colour of their party. Merit can be recognised. So can party. So can other qualities.

Putting the candidates in order on the ballot paper is a practical way of voting, already familiar to many thousands of voters, and it is a system which works very well. Counting voters' preferences by a straightforward set of rules produces results which do accurately reflect their wishes. This is the way in which the single transferable vote operates.

Voters chose. The system ensures that the results reflect their choice. Surely that is what we should expect of a voting system. It is certainly not what we get at present! That is why we should change to STV. Oh, yes — and if voters think that party is most important, then each party will get its just share of successful candidates. PR is not the objective of electoral justice, but it is an inevitable by-product of giving due respect to voters' wishes.

Gervase Tinley,
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Horley, Surrey.

FINANCIAL TIMES
Tuesday May 5 1987

Anthony Robinson explains why colour, not class, is a South African obsession

Economy fails to stir white voters

IN MOST democracies the electorate votes according to the state of its pocket. But colour not class is the great South African obsession.

This helps to explain why the National Party will still form the government after the elections today, despite a record of economic mismanagement. This has led to more than 16 per cent inflation; the collapse of the rand; record unemployment – among whites as well as blacks – and a bloated bureaucracy which has led to a four-forld increase in personal taxation in less than a decade.

If South Africa was a "normal" country, the Government would be facing a humiliating defeat.

The average white was better off after tax in 1970 than he or she is today, despite a 13-fold increase in the price of gold which accounts for more than half South Africa's foreign currency earnings.

Growth in the 1980s has averaged little over 1 per cent, below the 2.6 per cent annual population growth and far below the 5 per cent necessary to make a dent in an estimated 25 per cent (black) unemployment rate.

As a developing country with a large Third World component, south Africa needs foreign investment to achieve the sort of growth which its resource base and infrastructure makes possible. Instead, it has become in the words of Dr Gerhard de Kock, Governor of the Reserve Bank, "a capital exporter like a little Switzerland."

Whites of all political parties agree that the situation is absurd and are bitter about this negative foreign interference.

That is largely the result, however, of the apartheid legacy of the National Party and international reaction to President P.W. Botha's disastrous "Rubicon" speech of August 15, 1985. Instead of trying to convince world opinion that South Africa was committed to radical reform, if not the abolition of racial discrimination, he wagged his finger at a global television audience and thundered:"Don't push us too far."

Foreign banks clamoured to follow Chase Manhattan in the race for the exit, the rand collapsed and the sanctions and disinvestment lobbies abroad became unstoppable. Two weeks later, South Africal declared a partial debt moratorium and reintroduced the two-tier rand.

Despite this tale of woe, the National Party has been able to divert attention to the emotional issue of security and showed its disdain for the business community through a bitterly resented smear campaign against Mr Chris Ball, the managing director of the former Barclays National Bank. Oppostition parties on both left and right have failed to make the economy a key issue in the campaign.

In part this is because the economy is recovering from the steepest recession since the Second World War. Higher gold, diamond and precious metal prices, and the increased competitiveness stemming from the low rand, have come to the rescue.

Mr Gerhard de Kock

Negative real interest rates and often savage rationalisation have restored profit margins and fuelled a stock exchange boom. The balance of payments is in surplus, reserves are rising, the rand, albeit still at only 50 cents compared with over $1.20 four years ago, is well off its 35 cents post-Rubicon floor.

Sanctions have, as yet, had only a marginal negative impact while disinvestment, although psychologically damaging, has allowed South African companies to buy foreign assets at bargain basement prices. Good rains have also helped by marginally improving the lot of debt-burdened farmers.

But the fundamental reasons why the opposition has not been able to capitalise on the Government's poor economic record can be ascribed to the fact that for many whites "security" and the maintenance of white privilege is more important than prosperity. Many have achieved both.

More than 40 per cent of white voters enjoy sheltered employment in the public sector. They have benefitted from the transfer of resources from the productive private sector to the bureaucracies, including the security forces and those which administer apartheid.

That said, however, thousands of whites will be going into the polling booths aware that their incomes have declined and resentful about their taxes. Many blue-collar and less skilled workers and public servants are expected to show their frustration by voting for the right. Those higher up the social and economic scale, including many "detribalised Afrikaners" who no longer need the crutch of traditional Afrikaner national socialism, will vote for the Progressive Federal Party (PFP) and the independents.

Ultimately the division is between those who feel most threatened by black aspirations and those who believe that only abolition of apartheid and the creation of a nonracial society open to all talents will create the domestic and international climate for future security and prosperity.

Beneath the surface, class differences and class perceptions look like playing more of a role in voting behaviour in this election than ever before.

Student rally broken up, Page 5

President defuses potential crisis in India

By John Elliott in New Delhi

A POTENTIAL constitutional crisis in India has been defused with a public denial by Mr Zail Singh, the President, that he intends to try to dismiss Mr Rajiv Gandhi, the Prime Minister, for withholding government information from him during the past two years.

Basic differences between the President, who is 71 today, and the 42-year-old Prime Minister, have not been solved, however and are likely to surface again before Mr Singh retires on July 24.

Mr Gandhi now faces a tough test of his dwindling political popularity with a regional election on June 17 for the state assembly of Haryana, adjacent to the turbulent northern state of Punjab.

Mr Gandhi's Congress I Party might lose Haryana. This would be the latest of a long series of damaging regional election defeats suffered by Mr Gandhi since his landslide general election victory at the end of 1984.

Yesterday, Mr Gandhi tried to woo left-wing and other opponents within his party by modifying his public stance on liberalised economic policies, which have been the hallmark of his Government. He stressed there was "no open door" for multinationals to invest in India, and denied he wanted to privatise parts of the public sector.

But the vulnerability of his administration was demonstrated yesterday when a senior member of his party, Mr A.B.A. Ghani Khan Chaudhury, Cabinet minister for Programme Implementation, resigned, two weeks after the resignation of Mr Vishwanath Pratap Singh, Defence and former Finance Minister.

Mr Chandhury left because a land deal he had approved in 1982 when he was Railways Minister was criticised last week by the Parliament's public accounts committee for involving possible corruption.

Facing allegations of government corruption over defence deals for Swedish arms and West German submarines, Mr Gandhi is anxious to restore his clean image. He is believed to have demanded Mr Chaudhury's resignation and later told a meeting of party youth workers that corruption would receive "immediate and the strongest action."

The friction with Mr Zail Singh, a prominent Sikh politician in the Congress Party, has developed partly because Mr Gandhi holds him politically responsible for some of the earlier problems with the Sikhs in the Punjab where Mr Singh was Chief Minister.

Mr Singh has publicly provoked Mr Gandhi, possibly hoping that he has an outside chance of becoming opposition candidate for a second presidential term.

Reagan faces fresh pressure

Continued from Page 1

Many Democrats – looking towards next year's Presidential election – would be loath to ditch the anti-Marxist rebels. But they would like to see more support for diplomatic initiative to calm tensions in central America.

On Sunday, President Reagan, speaking in the shadow of the Statue of Liberty in New York harbour, again appealed for Contra aid, but shifted his emphasis away from military conflict and stressed the goals of free elections and democracy. He also spoke of economic aid and gave qualified praise to a peace plan advocated by Costa Rican President Oscar Arias – a deliberate attempt to rebuild a pro-Contra coalition in Congress.

Last week, the special prosecutor leading a criminal investigation into the Iran-Contra affair secured his first guilty plea when a professional Contra fund raiser, Mr Carl Channel, admitteed running a tax scheme to defraud the US Government and implicated Lt Col North in the conspiracy.

The Congressional hearings will take their first testimony from retired Air Force General Richard Secord – who played a dual role in the Iran and Contra chapters of the scandal – and then from President Reagan's former national security adviser, Mr Robert McFarlane. These two will give an overview of the affair.

Congressional investigators will then focus on the public and private aid network, the money trail, the arms shipments to Iran, and the division of blame and responsibility. In doing so the 26 elected members (15 House and 11 Senate) will draw on several dozen witnesses and thousands of sensitive Government documents.

THE LEX COLUMN

Paying more for the privilege

The full hollowness of last week's US-Japanese gesturing was already becoming apparent in yesterday's markets. Looking back at what the Reagan-Nakasone talks might have achieved, it was difficult for traders not to focus on the double negatives: the Federal Reserve had not lifted, and the Bank of Japan had not cut, their respective discount rates.

Moreover, the US Administration chose to emphasise this negative strand in market reaction by expressing its own disappointment with the Nakasone visit.

Indeed, the absence of demonstrative intervention in the foreign exchange market – on a day when the closure of Tokyo and London would have allowed the central banks to make a bigger splash in a smaller pool – deepened the impression of bilateral muddle.

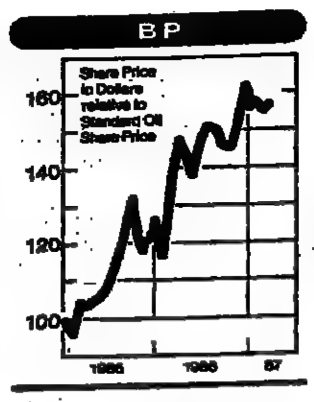
For the Fed to have been visible only on the sidelines, while the dollar slid towards Y138 and the long bond shed practically a full point, suggests that this week's bond auction may be just about dead in the water.

At this stage, the markets are still arguing about price; even without that Japanese participation which has regularly saved lost-hope auctions over the past few quarters, there is no thought of a bidders' strike. In a back-handed way, the Fed may actually be trying to do primary dealers a favour, by allowing the secondary market to take yields a bit higher up the slope than is officially perceived to be necessary.

If so, that would be a thoroughly traditional approach to funding in a currency crisis. But on yesterday's evidence, bond investors are refusing to notice the down-hill slope that yields are supposed to tread after the auction; and that again is to be expected when this week's currency losses are already bidding fair to obliterate about three years' worth of extra yield.

Warrants

Can it be so easy? Directors of merchant bank corporate finance departments must be marvelling at the ease with which the innovative use of a warrant has silenced the protests of the Standard Oil minority at the terms at which they were being bought out by British Petroleum.



In the US grey markets the warrants are being valued at around $2 per Standard share so BP has effectively put over $200m on the table at no short term financing cost whatsoever.

If the warrants are exercised in full then it will result in the issue of 3.7 per cent of BP's enlarged capital. But the new rule forbidding companies to issue over 2.5 per cent of capital to new shareholders without consulting old ones does not apply, since it governs only placings for cash, not placings for consideration.

There are special reasons why the warrant was so attractive in this particular deal. In particular, the dissident minority believed that BP was underestimating the future rise in oil prices, and thus the value of Standard.

By offering a warrant in its own stock, which is also highly geared to the oil price, BP was giving those critics the medicine they asked for. Indeed, Standard itself had used the same idea of using – judo-like – the market's weight against itself, by attaching crude-oil warrants to otherwise unattractive debt issues.

Yet, while the use of warrants has now been clearly indicated in the takeover of companies highly-geared to the price of a single commodity, it is less clear that they could be introduced into the wider merger and acquisition scene. To the extent that they could be, it would perhaps indicate that the bull market had reached excesses of optimism.

Warrants as part consideration for takeovers did make some such appearances towards the end of the bull market of the early 1970s, when Mr Jim Slater pronounced that if people were willing to pay him for the right to pay him some more money later then he would happily sell them as much of the stuff as they wanted.

At the most cynical level a bell or whistle of dubious value is simply a good way of persuading shareholders in a target company to part with their shares at a lower price than they ought.

Look at the way clever Mr David Alliance of Coats Viyella last week persuaded Foir Teoranta, the Irish state rescue agency, to hand over its 65 per cent stake in Youghal Carpets. With the Youghal share price at an admittedly speculative 25p, Coats successfully offered either one Irish penny in cash per Youghal share, or a convertible which would pay nothing for two years, then just 5 per cent in each of the next eight years, after which the stock would convert into 10p cash or 10p worth of Coats' shares in 1997.

After being bamboozled by this piece of financial pyrotechnics, Foir Teoranta was a bit miffed to find that it was unable to consider a possible higher bid, having irrevocably assented to Mr Alliance.

Although the BP/Standard deal is about 10,000 times bigger than that between Coats and Youghal, the two bargains have something in common. In both cases the bidder arrived at the figure in a closed discussion round a table with the directors of the target company. In both cases the "defenders" were anxious to help the bidder to find a solution to the problem of valuation. In hostile bids, and particularly in triangular contests, it is a much less appropriate tool.

The valuation of a warrant is difficult enough in the laboratory, involving as it does three-dimensional charts of time, interest rates and volatility. It would just be too easy for defending companies or rival bidders to ridicule the valuation placed on the warrant by the offeror.

Following the Guinness/Distillers revelations there is in any case a certain scepticism about the actual share price of bidding companies. Imagine the plight of former Distillers shareholders if they had also accepted in part consideration scads of Guinness warrants, completely valueless without a very sharp future appreciation in the value of the Guinness share price.

Sun Life considers merger with Pearl

BY HUGO DIXON IN LONDON

SUN Life Assurance of the UK is considering a friendly merger with the Pearl Group, another large British life insurance company, as a way out of its difficulties with TransAtlantic Insurance, its largest shareholder.

A merger would create a life company with total gross assets of more than £5bn ($8.2bn).

"If we did decide to merge, the Pearl would be a good fit," Mr Peter Grant, chairman of Sun Life, said yesterday. "The simple rationale would be the merger of a traditional life office (Pearl) with an industrial life office (Sun Life)."

Mr Grant, however, was careful to point out that no decision had been made. "We can recognise we would make a very good fit without there being discussions on a merger," he said. "If I say any more, I get into the takeover traps."

Under Britain's Takeover Code, companies are supposed to inform their shareholders, normally by an announcement through the London Stock Exchange, if they are planning a takeover.

Mr Grant admitted that a merger "might be a way out of our problems". He has been fighting off an attempt by TransAtlantic, which owns 26 per cent of Sun Life, to have three of its nominees chosen as directors of the company at its annual meeting on May 13.

The campaign has been bitter, with Mr Grant arguing that Liberty Life, one of South Africa's largest insurance companies with a 48 per cent share in TransAtlantic, is trying to gain control of Sun Life by the back door. TransAtlantic has responded by saying it may not support the re-election of Mr Grant as chairman.

The battle will take another turn this morning when Mr Grant sends his shareholders another letter urging them to back him. He believes TransAtlantic's nominees would "sit on the board as representatives of Liberty, and there would be a very real fear that they would be concerned primarily for its interests, if necessary against those of other shareholders."

Mr Grant said: "Indeed, the very determination of TransAtlantic to secure the appointment of Liberty's nominees must excite grave misgivings about the future intentions of Liberty. If we've been a little frantic, it's been to get our shareholders to vote. We need every vote we can get."

He refused to be drawn on the timing of a possible merger with Pearl. But he did say that Pearl might be wary of merging if TransAtlantic was to become a shareholder in the merged company.

It is possible TransAtlantic would make a full bid for Sun Life if it were to try to merge with Pearl.

'Buy American' law draws UK protest

BY LIONEL BARBER IN WASHINGTON

THE BRITISH Government has lodged a vigorous protest over "buy American" legislation in Congress which threatens to exclude GEC Marconi, the diverse UK telecommunications group, from a $13bn contract to upgrade broadcasting equipment at the Voice of America Radio Network.

The legislation – illustrative of growing protectionist sentiment on Capitol Hill – has an added piquancy for GEC. Last December the British Cabinet decided that the country's airborne early warning needs should be met by buying Awacs aircraft from Boeing of the US rather than GEC's Nimrod system.

GEC is one of four bidders – AEG of West Germany, Brown Boveri of Switzerland, Continental Electronics of Dallas, Texas are the others – which have tendered for the first part of the Voice of America contract (worth initially between $100m and $150m).

Voice of America – part of the US Information Agency, the official US Government news and broadcasting service – has yet to decide on a winner. Much will turn on legislation drawn up in the Foreign Relations Authorisation Act for fiscal 1988, starting in October.

A key clause in the House bill – approved by the full House Foreign Affairs Committee but yet to reach the floor – is extraordinarily restrictive. Citing the committee's "strong preference" for an American contractor, Section 303 of the bill says:

"This preference is desirable because of the unprecedented size and expense of the modernisation programme and because during any time of world crisis, national security will be enhanced by having US-manufactured transmitters, antennas and other components for which the US can ensure an uninterrupted supply of equipment and spare parts."

Other restrictions concern requirements for being considered an American contractor such as incorporation under US law; the employment of US citizens in more than half its full-time positions in the US; and the need to have "existing technical and financial resources in the US."

Even though GEC has a US partner in its bid, Cincinnatti Electronics, it would not fit in with any of these qualifications.

Marconi executives are particularly angry because under their proposal 60 per cent of the VOA contract would be sourced in the US.

This week, the Senate Foreign Relations Committee is to adopt its own language for the authorisation bill for fiscal 1988. All four bidders and the UK Government are watching closely to see if a similar clause is inserted.

New threat to Belgian coalition

BY TIM DICKINSON IN BRUSSELS

BELGIUM's bitter language dispute is once again threatening to topple the centre-right coalition of Mr Wilfried Martens, Prime Minister.

Mr Martens and senior members of his Cabinet spent much of the weekend urgently seeking a new solution to the problem of "Les Fourons" – the now notorious Flemish commune where an elected Francophone mayor has long been refusing to speak the official language, Dutch.

The individual in question, Mr Jose Happart, had his election annulled by the quasi-judicial Council of State last September. But to the fury of the Flemish-speaking Christian Democrat Party, the CVP, he has remained *de facto* mayor by virtue of being first alderman of the district.

Each time he is suspended from this post by the Provincial Governor he is quickly reinstated in fresh elections by the Francophone majority.

Frustrated by what local newspapers have dubbed these "turns of the carousel," the CVP has given the Government until Thursday to find a solution which will finally remove Mr Happart.

The CVP's leader, Mr Swaelen, took a particularly tough line in a television interview over the weekend and the implication is that the CVP would withdraw its support from the Christian Democratic-Liberal coalition if a new compromise could not be found.

Tensions also seem likely to be raised tomorrow when a Senate Commission votes on the first articles of a new abortion bill.

This would, for the first time, legalise abortion in certain circumstances in the first 15 weeks (and if there is a danger thereafter), but it is fiercely opposed by the CVP which refuses even to discuss possible amendments.

Steel groups to merge

Continued from Page 1

to provide aid to cover the creation of new jobs for workers made redundant.

Excluding heavy plate and tubes, Mr Mer said that the group's hot rolled coil division just broke even last year on sales of FFr 30.5bn

Losses were heaviest in the long products – wire rod, bars and beams – divisions, which ran up an operating deficit of FFr 2.2bn (60 per cent of the group total) on FFr 16.5bn of sales.

Investment is to be reduced over the coming years to an annual level of FFr 3bn from FFr 4.5bn over the last three years.

World Weather

		°C	°F
Ajaccio	C	14	57
Algiers	C	17	63
Amsterdam	F	11	52
Athens	S	19	66
Bahrain	F	35	95
Bangkok	F	35	95
Barcelona	F	17	63
Beirut	F	22	72
Belfast	C	11	52
Belgrade	S	25	77
Berlin	R	9	48
Biarritz	F	12	54
Bombay	S	31	88
Bordeaux	F	12	54
Brussels	C	9	48
Budapest	C	18	64
B. Aires	R	16	60
Cairo	S	29	84
Cape Town	C	19	66
Caracas	F	28	82
Casablanca	S	21	70
Chicago	F	4	39
Cologne	C	7	45
Copenhagen	C	9	48
Corfu	F	20	68
Dallas	F	16	61
Dublin	C	13	55
Dubrovnik	C	18	64
Edinburgh	C	12	54
Faro	F	23	73
Florence	T	14	57
Frankfurt	R	7	45
Funchal	S	20	68
Geneva	C	7	45
Gibraltar	C	19	66
Glasgow	C	11	52
Guernsey	F	9	48
Helsinki	C	15	59
H. Kong	R	22	72
Innsbruck	R	5	41
Inverness	C	10	50
Islamabad	F	32	90
Istanbul	S	21	70
Jakarta	C	32	90
Jersey	F	9	48
Jo'burg	F	20	68
Lima	F	26	79
Lisbon	S	21	70
London	F	9	48
Los Angeles	C	15	59
Luxembourg	R	4	39
Madrid	S	15	59
Majorca	R	11	52
Malaga	C	18	64
Malta	F	21	70
Manchester	F	11	52
Manila	F	37	99
Melbourne	C	18	64
Mexico City	F	28	82
Miami	S	25	77
Milan	F	10	50
Montreal	F	5	41
Moscow	S	22	72
Munich	C	6	43
Nairobi	C	23	73
Naples	C	13	55
Nassau	F	30	86
New Delhi	F	29	84
New York	C	9	48
Nice	F	14	57
Nicosia	F	21	70
Oporto	S	18	64
Oslo	C	10	50
Paris	C	7	45
Peking	S	22	72
Prague	C	9	48
Reykjavik	R	7	45
Rhodes	S	21	70
Rio de J'o	F	33	91
Rome	F	16	61
Salzburg	C	6	43
San Francisco	C	11	52
Seoul	F	16	61
Singapore	R	27	81
Stockholm	R	3	37
Strasbourg	R	5	41
Sydney	S	20	68
Taipei	R	20	68
Tangier	C	23	73
Tel Aviv	S	22	72
Tenerife	C	21	70
Tokyo	S	16	61
Toronto	C	5	41
Tunis	C	17	63
Valencia	S	20	68
Venice	F	13	55
Vienna	R	10	50
Warsaw	S	21	70
Washington	R	9	48
Zurich	R	4	39

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK reserves rise

Continued from Page 1

to rise further could seriously damage business confidence, while the pound's recent gains will at least partly offset inflationary pressures in the economy.

Most economists in the City of London now expect at least another ½ point reduction in rates in the run-up to the general election widely expected in June. Some predict that a cut is likely as early as this week.

Upward pressure on the pound has been based on forecasts that the Conservative Government will comfortably win a June election and that the dollar will remain weak. At the same time, Britain's economy is outperforming those of most other industrial nations, while its interest rates remain relatively high.

Although London's markets were closed yesterday, sterling registered further gains in European and US trading, as the dollar fell.

West Germany's Bundesbank bought what dealers said were modest amounts of dollars to put a brake on the US currency's slide, while both the French and Belgian central banks intervened against the D-Mark within the European Monetary System.

The dollar nonetheless closed weaker in Frankfurt at DM 1.7770 compared with Friday's London close of DM 1.7795. The pound rose to DM 2.9820 from DM 2.9750 and to $1.6780 from $1.6730.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday May 5 1987

INTERNATIONAL BONDS

Dealers' hopes fixed on Japan

"THIS BATTLE will have to be fought in the trenches of the Treasury market – I'm keeping my head down" – said one Eurobond dealer at the end of last week, writes Clare Pearson in London.

Indications that Japan was prepared to trim its interest rates, and the statement by Mr Paul Volcker, chairman of the Federal Reserve, that the US had tightened monetary policy, raised hopes that the Japanese would participate enthusiastically in this week's $29bn US Treasury auction – but no one was betting on it.

The announcements triggered a spate of shortcovering in the Europbond market on Friday morning, but most dealers were aiming for a flat position over the long weekend in London. "Retail accounts are still staying on the sidelines and frankly, who can blame them?" said one trader.

It came as no surprise that no straight Eurodollar bonds appeared, leaving the so-called peripheral currencies to dominate the new issues market. Australian dollar issues were still prominent, but Eurosterling bonds also came into vogue in response to the roller coaster advances in the gilt market.

Despite a background to these issues that could hardly have looked more propitious, with the currency strong on the back of encouraging economic news and the expectation of an early Conservative victory, the six new Eurosterling deals, which totalled £375m, met a disappointing response.

Dealers said this was because the euphoria in the gilt market was largely passing the Eurosterling market by. Institutional investors which had moved into sterling securities for the pre-election ride were keeping to the more liquid gilt market, where gains can be more easily realised.

Meanwhile, retail European investors seemed to be less conscious – or perhaps less convinced – than the institutions of the much-vaunted decoupling of the fortunes of the sterling and US fixed income markets. As a result, they were in nervous mood; retail accounts were sellers of Eurosterling securities last week as the gilt market rallied.

Certainly the issuing window in the five-year area of the Eurosterling market proved too narrow for the volume of paper pushed through it by four borrowers.

All the bonds performed below expectations although an early issue for a rare high-quality borrower, National Westminster Bank, probably spoilt the market for other borrowers whose deals might have proved popular.

A 9 per cent deal for Société Générale would probably have proved too tightly priced anyway, but an issue on similar terms for triple-A rated Morgan Guaranty Trust could have been expected to perform better.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	[illegible]	[illegible]	[illegible]	5,930.1
Prev	1,191.7	371.9	–	3,163.6
Other	6,510.7	[illegible]	–	162.5
Prev	4,304.3	–	[illegible]	[illegible]
Secondary Market				
US$	25,721.0	[illegible]	9,731.7	4,937.9
Prev	22,677.0	[illegible]	15,323.7	3,325.7
Other	17,982.1	[illegible]	2,224.7	10,686.6
Prev	17,071.9	[illegible]	4,081.9	10,550.6

	Cedel	Euroclear	Total
US$	16,718.9	34,163.7	[illegible]
Prev	[illegible]	41,067.2	58,185.5
Other	[illegible]	23,572.0	37,519.5
Prev	12,912.7	[illegible]	36,747.2

Week to April 30 1987 — Source: AIBD

Dealers also did not find the response to a £50m deal for Slough Estates, the one bond that surfaced at the long end, encouraging although it was quoted consistently within fees.

The bond was apparently ideally structured for the UK institutions which are the main – some say the only – takers of such long-term bonds. Not only was the initial yield well in line with an outstanding domestic issue for the borrower but it also included covenants which mirrored those on a domestic issue.

The difficulty appeared to arise mainly from the large amount of paper for property companies issued recently. Slough Estates' issue was bid 2¾ points below issue price, compared with 2½ per cent fees.

Sharp falls in the US and Tokyo stock markets claimed some casualties in the equity-linked sector early last week. Many equity warrants bonds for Japanese companies were quoted at substantial discounts to issue price, while a convertible for Comcast, the US cable television company, was withdrawn by lead-manager Morgan Grenfell.

Although Comcast's share price had not suffered more than the rest of the US market, the terms of the planned issue looked unrealistic as sentiment deteriorated. The indicated 5 per cent coupon and 23 to 27 per cent conversion premium both looked ambitious, and a put option in 1994 at par added little to the bond's appeal.

A price as low as 95 – five points below issue price – was spotted at one point on a broker's screen.

Meanwhile a $25m convertible for J. Bildner, a US grocery store chain, was encountering similar difficulties but the lead-manager decided instead to reset the terms.

The coupon finally settled at 7 per cent, a full ½ point above the upper end of its indicated range, and the conversion premium at 19 per cent, 6 per cent below its highest indicated level. These changes and the insertion of a par-priced put seemed to carry the bond, despite a $2.5m increase in its amount.

Philips' global issue sparks British envy

BRITISH companies with a fashionable yen for broadening their shareholder base internationally looked on in envy last week as Philips, the Dutch electronics group, launched a Fl 1bn ($497m) global share offering, writes Alexander Nicoll in London.

The 8.6 per cent expansion of equity is being made under authority granted to the board by shareholders to offer shares with or without giving first refusal to them. Although rights issues are common in the Netherlands and shareholding institutions are large, no strong lobby has developed against issues not observing pre-emption rights.

In contrast, British insurance companies which object to their holdings being diluted are enforcing their rights more strictly.

Managements of UK companies will have general authority for issues of up to only 2.5 per cent of issued equity, compared with 5 per cent of authorised capital previously, and are likely to find it increasingly hard to persuade shareholders to waive their rights for larger issues.

This effectively bars sizeable international share and equity-linked issues for all but the biggest UK companies and revives doubts about domestic constraints on the development of a truly global equity market.

Philips, meanwhile, has what has come to be seen as the classic background for a large international offering. It is a well-known brand-name with sales and a shareholder base already spread outside the Netherlands. The Dutch market would have found it difficult to absorb $500m-worth of shares.

Nevertheless, Credit Suisse First Boston as global co-ordinator is making no rash assumptions about saleability. It has adopted the system of geographically segregated syndicates, each targeting a country or region. This is intended to avoid free-for-all selling across borders which could weaken broad placement of such a large issue.

Agnelli reorganises holding in Fiat

By John Wyles in Rome

MR GIANNI AGNELLI has reorganised most of his family's controlling stake in the Fiat Group in such a way as to prevent any seepage of voting shares into outside hands.

In an exercise which will doubtless encourage speculation about potential soap-opera rifts within the family, a large part of the Agnellis' 41 per cent holdings of Fiat ordinary stock has been transferred to a new limited partnership, Giovanni Agnelli & Co. The partnership owns 78 per cent of Ifi, the family holding company which controls the Fiat group's various interests.

One unexpected element is that two nominal shareholders in the partnership are "outsiders," Mr Cesare Romiti, the Fiat Group's managing director, and Mr Gianluigi Gabetti, the managing director of Ifi.

Mr Agnelli himself has dominant ownership of the partnership with a 38 per cent stake and, according to newspaper reports, sole management control. In the event that he is unable to carry out this function, power is transferred to Mr Agnelli's cousin, Mr Giovanni Nasi. The other controlling partner is Mr Agnelli's brother, Umberto.

The partnership's articles of association reportedly impose tighter control over the divestment of family shareholdings than was previously the case. They require that all shares put up for sale must be offered to other members of the family, who may acquire them in proportion to their existing holdings.

Similarly, any shares which are given or willed to others unrelated by blood to the Agnellis must be offered to the other family shareholders. The holder can exercise shareholder's rights only if the option to buy is not exercised by family members.

EUROCREDITS

South Korea shows clout in quest for finer terms

SOUTH KOREA'S growing confidence in its standing with international bankers has been underlined by the terms it has proposed for renegotiation of a $500m syndicated loan which the Korea Development Bank signed in November 1983, writes Stephen Fidler in London.

The loan, for which Morgan Guaranty and Industrial Bank of Japan were agents, had an original maturity of eight years, with a four-year grace period.

A $300m portion paid interest at ⅜ percentage point over London interbank offered rates (Libor) for six years and ½ point for the remainder. The rest carried a margin of 0.2 points above the US prime rate, provided this was no higher than 1.35 points over certificate of deposit rates.

The borrower is seeking only to lower the interest rates on the loan, leaving the final maturity and grace period unchanged. From the next payment on May 29, it wants to cut the interest margin over Libor on the full $500m to ⅛ point until November 1989, rising to ¼ after that. It will also pay a 0.1 per cent servicing fee.

The bank said its objective "was to bring the yield level on the loan more in line with the current market perception of Korean sovereign credit" and added that it had been advised by several financial institutions that it could have undertaken the renegotiation on even more aggressive terms.

The proposed terms would be the finest attained by South Korea. The fourth largest borrower in the developing world, with debts totalling some $41bn, it has improved its reputation considerably in recent years.

It has increased the scarcity value of its debt by prepaying substantial borrowings and only last week said it would prepay $578m this month and next.

Demand for Korean paper among banks has already allowed private sector borrowers to achieve eight-year money at spreads at ¼ and ⅜ point. While bankers may not be enthusiastic, the KDB deal thus looks achievable.

But if Korea's light is rising among the international banking community, Spain's seems to be falling following a decisison by Fuerzas Electricas de Cataluna (Fecsa), the financially troubled power utility, to cut interest payments to banks.

Fecsa has outraged bankers by saying it will pay interest on its debt – some $1.2bn of which is owed to foreign banks – at 1.5 points below Libor, pending a full debt renegotiation. There will be a meeting between Fecsa and its bank creditors in London on Wednesday which stands a good chance of becoming highly emotional.

The affair will certainly hurt the reputation of Spanish private sector borrowers and will probably damage the view of public sector borrowers, bankers say. "I can tell you that from the Japanese banks' point of view, it will have an effect on the perception of Spain," said one banker.

Deals mandated in the week included a $150m short-term facility for Turkiye Is Bankasi, Turkey's largest private sector bank. Bankers Trust, Bank of Tokyo, Gulf International Bank, Kuwait Foreign Trading Contracting and Investment Company, and Morgan Guaranty won the deal, which will roll over a maturing facility.

Final terms have yet to be settled but a ¾ point margin is expected.

S.G. Warburg was mandated by GKN, the UK engineering group, for a $100m five-year multi-option facility. Terms on the committed portion include a 5 basis point facility fee, a 10 basis point margin and a 3 basis point fee for utilisation over 30 per cent.

Banque Paribas (London) was mandated to arrange a £250m transferable revolving credit facility for National Home Loans Corporation of the UK. The transaction has been underwritten by an eight-bank group and carries a margin of ⅜ point over Libor. Its maturity is for four-years, extendable for a further two.

Schindler lifts dividend on profit rise

BY WILLIAM DULLFORCE IN GENEVA

SCHINDLER, the Swiss lift manufacturing group, is raising its shareholders' dividend for the first time in seven years after booking a 5 per cent increase in consolidated net earnings to SFr 48.7m ($33m) in 1986.

After the parent company had reported a rise in net profit from SFr 15.3m to SFr 17.5m, the board proposes to raise the dividend from SFr 12 to SFr 15 a registered share and participation certificate and from SFr 60 to SFr 75 per bearer share.

With the world's second largest business in lifts and escalators after Otis of the US, Schindler has been buying up smaller businesses worldwide over the past few years, in order to maintain its share of a declining market. Annual world sales of lifts and escalators slumped by 15 per cent between 1973 and 1985.

Last year Schindler's group sales dipped by only 0.6 per cent in Swiss franc terms to SFr 1.86bn in spite of exchange rate losses amounting to 9.8 per cent of turnover.

HK hotels group chairman survives attempted coup

BY DAVID DODWELL IN HONG KONG

MR MICHAEL KADOORIE, whose family has for more than 80 years controlled the Hongkong and Shanghai Hotels group, which owns Hong Kong's prestigious Peninsula Hotel, yesterday narrowly escaped being overthrown as chairman of the group as a big outside shareholder made a first move to exert his control.

Mr Joseph Lau, the aggressive principal shareholder in a company called Chinese Estates, is understood to have led the assault on Mr Kadoorie's chairmanship, at the group's annual general meeting. Chinese Estates has in recent months built up a stake of about 26 per cent in Hongkong and Shanghai Hotels.

Reappointment of Mr Kadoorie ought to have been routine. However, in a surprise development, Mr Lau and other opponents mobilised 40.5m shares against Mr Kadoorie, representing just under 42 per cent of the group's issued share capital.

Votes in support of Mr Kadoorie amounted to 42.6m. The Kadoorie family refuses to disclose the size of its shareholding in Hongkong and Shanghai Hotels, but some local analysts expressed surprise at the body of support rallied behind the family.

Apart from the Peninsula Hotel, one of Hong Kong's few historic landmarks, Hongkong and Shanghai Hotels owns the newly built Kowloon Hotel, and has recently opened a restaurant called The Repulse Bay on the site of—and in the style of—the once-famous Repulse Bay Hotel. This hotel was demolished five years ago amid controversy.

Mr Lau has attracted controversy over his holding in the Kadoorie - controlled group because of allegations that he is acting in concert with shareholders in a group called Lai Sun Garments. These allegations are the object of inquiries by Hong Kong's Securities Commission, which polices the stock market.

Lai Sun bought a 10 per cent holding in the group at the same time that Mr Lau acquired his 20 per cent stake. Subsequent market purchases by Mr Lau have lifted their combined stake to more than 35 per cent, the trigger point for a full bid for the group if the two were considered to be acting in concert.

Mr Kadoorie said yesterday that talks had been held with Mr Lau about the share build-up. He also said any substantial shareholder "deserved board representation," and admitted that this was likely to be discussed when the group's board next meet.

Stock market analysts said yesterday that the assault on Mr Kadoorie's chairmanship was likely to be just the first move by Mr Lau in an effort to exert more control over the group. Hongkong and Shanghai Hotels shares soared by HK$5.50 on the day's developments, after beginning the day at HK$70.


Lord Kadoorie

Mr Lau recently acquired Chinese Estates through Evergo, a local electronics group. A second major shareholder in Chinese Estates is Mr Bill Wyllie, who controls the Regal Hotels group.

The Kadoorie family, whose patriarch, the 89-year-old Lord Kadoorie, is Hong Kong's only member of the House of Lords, also has a susbtantial controlling interest in China Light and Power, the larger of Hong Kong's two electricity utility groups.

Hutchison sweetens Electric hive-off terms

BY OUR HONG KONG CORRESPONDENT

HUTCHISON WHAMPOA, the Hong Kong-based conglomerate controlled by Mr Li Ka-Shing, yesterday announced revised terms under which it plans to split its subsidiary, Hongkong Electric, the utility company.

Proposals unveiled two months ago—to hive off the non-utility operations of Hongkong Electric into a new company called Cavendish International—were fiercely criticised in the Hong Kong stock market as offering few benefits to outside shareholders, though providing clear benefits to Hutchison Whampoa itself.

The move had come after months of speculation that a predator had been building up a stake in Hongkong Electric in an attempt to acquire cheaply one of the fastest growing areas of Mr Li's corporate empire. It was seen as protecting a range of non-electricity related interests, including a 43 per cent stake in Husky Oil of Canada and a 4.99 per cent in the Pearson Group of the UK.

On Thursday, Hutchison revealed that the stake in Pearson had been sold. The company said yesterday that borrowings repaid and profits released as a result of this sale have enabled the group to adjust the terms on which Cavendish is hived off.

Originally, Hutchison was to receive 28 shares in Cavendish for every 10 shares in Electric in a deal that would have eliminated Hutchison's direct 23 per cent holding in Electric in exchange for a 53 per cent stake in Cavendish.

Merchant banks and investing institutions in Hong Kong challenged the basis on which Hutchison had arrived at this share exchange formula. Disillusion over the deal played a large part in puncturing the share prices of Hutchison and Hongkong Electric, and triggered a run on share prices in general.

The sweetener unveiled yesterday proposes to provide Hutchison with 26 shares in Cavendish for every 10 in Electric. After various market changes are taken into account, this amounts to a 2 per cent improvement for outside shareholders. Hutchison's shareholding in Cavendish will be adjusted only marginally—to 52.7 per cent.

Santander in German deal

BY DAVID WHITE IN MADRID

BANCO SANTANDER announced yesterday that it had completed a deal with Bank of America to take over two of the latter's interests in West Germany, a banking subsidiary and a credit card operation. The price of the purchase, which represents the first venture of this kind by a Spanish bank in Europe, is understood to have been DM 150m ($84m).

Santander has bought full control of Bankhaus Centrale Credit (CC-Bank), based in Moenchen-Gladbach and specialising in consumer finance.

The deal, which has been under negotiation since December, also includes Bank of America's credit card division.

Rhone-Poulenc sees rise

BY PAUL BETTS IN PARIS

RHONE-POULENC, the French nationalised chemicals group, expects to report higher earnings this year and next year as a result of restructuring and withdrawal from loss-making sectors, Mr Jean-Rene Fourtou, the chairman, said yesterday.

He also confirmed that the group had consolidated net earnings of FFr 2bn ($336m) last year, slightly lower than the FFr 2.1bn earnings the year before. However, 1986 earnings included substantial restructuring provisions. Group sales declined to FFr 52.7bn from FFr 56.1bn.

Mr Fourtou reiterated that he was anxious to see his group privatised soon to enable it to raise equity capital.

Aga lifts bid for French gas producer

By Sara Webb in Stockholm

AGA, the Swedish industrial gas group, yesterday raised its bid for Duffour et Igon in the latest round of a hotly contested battle for the French industrial gas producer.

Aga has raised its unconditional offer from FFr 3,500 to FFr 4,000 per share, valuing the French company at FFr 532m ($89.4m).

Only 10 days ago, Linde of West Germany had been forced to raise its original offer of FFr 2,585 to FFr 3,750 per share.

Union Carbide of the US started the bidding at FFr 2,100, while Carburos Mealicos, the Spanish gas producer in which Air Products of the US has a minority stake, offered FFr 2,205 per share.

Trading in Duffour et Igon shares closed at FFr 3,865 last week as investors clearly expected the bidding battle to continue before the deadline of June 5.

Last year, Duffour et Igon had an estimated net income of FFr 14m, compared with FFr 16.5m in 1985. Sales were FFr 370m in 1986.

The company's main attraction is that it offers a foothold in the French industrial gas market.

Slow growth for sterling paper

By Alexander Nicoll

THE STERLING commercial paper market recorded only slow growth in March, with outstandings edging up from £874m to £936m by the end of the month.

Bank of England figures show that new issues slipped from February's £729m to £709m, while maturing issues jumped from £517m to £647m. Since the market opened in May last year, it has been tapped by 36 companies, of which all but five are British.

A small sign of encouragement came from the fact that holdings of commercial paper by the monetary sector rose only £3m to £274m during March. The measure indicates the extent to which the banks that are the principal dealers are finding end-investors outside the banking sector.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Chugoku Marine Paints ¶‡	20	1992	5	2¼	100	Yamaichi Int. (Eur)	2.250
Toyo Soda Manufacturing ¶‡	150	1992	5	2	100	Yamaichi Int. (Eur)	2.000
Gunze Ltd. ¶‡	100	1992	5	2	100	Nomura Int.	2.000
Suzuki Motor ¶‡	100	1992	5	2	100	Daiwa Europe	2.000
Marubeni Corp. ¶‡	200	1992	5	2	100	Yamaichi Int. (Eur.)	2.000
Marubeni Corp. (d) ¶‡	100	1992	5	2	100	Nikko Secs (Europe)	2.000
Fujitsu Ltd. ¶‡	300	1992	5	2	100	Nikko Secs (Europe)	2.000
Sumitomo Realty & Dev. ¶‡	600	1992	5	1½	100	Daiwa Europe	1.500
Daikin Industries ¶‡	100	1992	5	2⅛	100	Nomura Int.	2.125
J. Bildner & Sons §‡	27.5	2002	15	7	100	Paine Webber Int.	7.000
Mitsubishi Chemical Corp. ¶‡	600	1992	5	1⅜	100	Nomura Int.	1.375
Tateho Chemical Ind. ¶‡	50	1992	5	2	100	Nikko Secs (Europe)	2.000
Sumitomo Co. ¶‡	20	1992	5	2¼	100	Nomura Int.	2.250
Yamato Transport ¶	200	1992	5	(2)	100	Nikko Secs (Europe)	*
CANADIAN DOLLARS							
Bell Canada ‡	150	1992	5	10	101	UBS (Secs)	9.738
AUSTRALIAN DOLLARS							
Bayerische Vereinsbk ‡	80	1996	9	13½	101½	Bayerische Vereinsbk	13.200
Dresdner Finance ‡	100	1991	4	13⅝	101⅝	Dresdner Bank	13.325
WestLB Finance ‡	50	1991	4	13⅝	101⅝	WestLB	13.325
Hessische Landesbk ‡	50	1990	3	14	101½	Deutsche Bk Cap. Mkts.	13.381
Banca Comm. Italiana ‡	50	1991	4	14	101½	Deutsche Bk Cap.Mkts	13.491
Swedish Export Cr. ‡	50	1989	2	14½	101¼	Salomon Brothers	13.372
Deutsche Siedlungs L'bk ‡	75	1992	5	13¾	102⅛	Chicorp. Inv. Bank	13.144
D-MARKS							
Prudential Finance ‡	300	1997	10	6	100¾	Morgan Guaranty	5.899
W.Australian Treas.Corp. ‡	100	1996	9	6	100	Bayerische Vereinsbk	6.000
SWISS FRANCS							
Galactic Resources §‡	50	1995	–	5⅝	100	Banque Indosuez	5.833
Interfina (Lux) §‡	50	1992	–	2½	100	Warburg Soditic	2.500
Daiwa Danchi Co.** §‡	100	1992	–	¾	100	UBS	0.750
Tobu Railway Co.** ‡	100	1994	–	(1¼)	100	SBC	*
Tama Real Estate** §‡	40	1992	–	½	100	Credit Suisse	0.501
Thesing-Verwalt'schaft	10	1996	–	(5¾)	(100)	Fintralex	*
SBC (Luxembourg)** ‡	50	1991	–	4	100¼	SBC	3.931
Imatran Voima ‡	50	1995	–	4⅝	100	Credit Suisse	4.625
Imatran Voima ‡	40	1997	–	4¾	100	Credit Suisse	4.750
Shoko Chukin Bank ‡	100	1994	–	4⅝	100¼	UBS	4.583
Mountleigh Finance ‡	150	1992	–	5¾	100	Warburg Soditic	5.750
Crowther Finance (b) §	50	1997	–	(3¼)	100	Shearson L'man Amex	*
Hydro Quebec ‡	200	2002	–	5	100	SBC	5.000
Shinko Wire Co.** ‡	15	1992	–	4¾	100	Dai-Ichi Kangyo Bk	4.750
Tokin Corp.** §	60	1992	–	(½)	*	SBC	*
STERLING							
Water City of L'don (a) ¶‡	30	1994	7	8⅞	100	Goldman Sachs	8.875
Slough Estates ‡	50	2007	20	10	97⅞	Warburg Secs	10.315
GMAC Corp. (UK) ‡	50	1992	5	9	101⅜	Baring Brothers	8.650
Air Products & Chem. ‡	50	1997	10	9½	100¼	Baring Brothers	9.460
Nat.Westminster Bk ‡	100	1992	5	9	101⅝	County NatWest	8.587
Societe Generale ‡	50	1992	5	9	101½	Kleinwort Benson	8.618
Morgan Guaranty ‡	75	1992	5	9	101½	Morgan Guaranty	8.618
ECUs							
Life Co. ¶‡	40	1992	5	1⅝	100	Bqe Paribas/Nikko Secs.	1.625
LIRE							
Ist.Ban.S.Paolo di T'ino ‡	100bn	1992	5	10	101⅞	Ist.B.S.Paolo di T'ino	9.544
AUSTRIAN SCHILLINGS							
Austria (c) ‡	750	1995	8	6¾	100.85	Girozentrale Vienna	6.610
YEN							
City of Oslo ‡	20bn	1997	10	4¾	101½	Daiwa Europe	4.560
Belgium ‡	45bn	1994	7	4⅝	101½	Nomura Int.	4.372
Hokuriku Elec.Power ‡	20bn	1994	7	4½	101⅜	Nikko Secs (Europe)	4.268
Ireland ‡	20bn	1999	12	4.9	99.85	Daiwa Secs.	4.877

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. ф With gold warrants. ‖ Currency-linked. § Convertible. (a) With "money back" equity warrants. (b) Convertible preference shares. (c) Additional Sch 750m on tap. (d) Launched in Asia. Note: Yields are calculated on AIBD basis.

US MONEY AND CREDIT

Explicit promises fail to convince bond traders

THESE ARE the kind of roller-coaster days that bond traders' dreams are made of.

For nearly a year now, the bond market has been praying for the kind of frenetic volatility that keeps the trades flowing, the spreads widening and the dealing profits rolling in. Finally the gods answered, in the shape of Ronald Reagan, Yasuhiro Nakasone and Paul Volcker. Since the US-Japanese confrontation over semiconductor trade, there has scarcely been a single day when bond prices have moved less than a point in one direction or the other. It should have been a licence to print money for the great bond houses.

But now it turns out that one of the market's biggest participants has forgotten the most elementary precautions—without which the whole bond business turns simply into a casino for overpaid schoolboys, though one where the roulette heroics can transform million dollar profits into losses within the flicker of an electronic screen.

The incredible scale of losses sustained not once but twice within the last few weeks by traders holding unauthorised positions for Merrill Lynch could ultimately turn into as great a setback for bond dealers as the insider trading scandal has become for the corporate finance community on Wall Street. Even a firm the size of Merrill Lynch cannot afford to drop a sum like $260m—double its quarterly net profits—too often.

Nobody can really guess just how much over-trading is going on throughout the market, or what risks are being morne unknowingly by the firms involved. It seems a fair assumption, though, that the Merrill Lynch disaster will not be the last to emerge.

However, if the managements of some bond houses might now welcome at least a brief period of market stability to iron out their trading surveillance systems, there now seems to be little chance of such a wish being granted.

For all the efforts of Mr Volcker and Mr Nakasone to stabilise the dollar with their soothing words in Washington on Thursday, the markets seem to be sceptical to say the least. The 2½-point jump in bond prices after Mr Nakasone promised to cut his interest rates, and Mr Volcker said, "Cross my heart and hope to die," in defence of the dollar's current level, was followed by an ominously negative reaction on Friday in both the bond and currency markets.

By Friday evening the dollar had more than lost its Thursday gains, drifting nearly one yen and more than two pfennigs below the point that it had reached just after the Volcker-Nakasone comments the day before. Similarly, the Treasury long bond gave up 1½ points of Thursday's improvement in the wake of the 1 per cent rise in US banks' base rates to 8 per cent.

All eyes are now on how Messrs Volcker and Nakasone plan to live up to their unusually explicit promises and how these plans affect the outcome of next week's all-important Treasury auctions.

Will Mr Nakasone really ensure that Japanese interest rates decline, and what will be the impact of any such action on the behaviour of Japanese investors? Money market rates which might be almost identical in a Western market can vary by as much as 2 per cent in Tokyo, while 10-year government bonds of identical maturity and coupon have yields that vary from 2.9 to 3.7 per cent.

In a market as quixotic as this, nobody can predict whether a nudge from Mr Nakasone will send the investment yen surging into or out of the US Treasury's coffers.

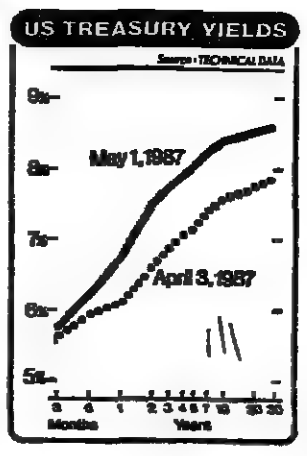
* * *

The following statistics are due to be released this week, along with other events which will have an impact on the financial markets. The estimates of market expectations are compiled by money market services of Redwood City California.:

● The Treasury will auction $10bn of three-year notes tomorrow $9.75bn of 10-year notes on Wednesday and $9.25bn of 30-year long bonds on Thursday. The mraket's median expectation for the yield at Wednesday's 10-year auction is 8.40 per cent, with estimates ranging from 8.25 per cent to 8.50 per cent. The 30-year auction is expected to produce an 8.63 per cent yield, with a range of 8.35 to 8.75 per cent.

● Money supply figures for the week to April 27 and the month of April will be released on Thursday. The market expects a fall of $1bn in M1, with a range of minus $10bn to plus $3.5bn. M2 is estimated to have risen by $16bn with a range of $7.5bn to $20bn, and M3 is forecast to be up $21.3bn, with projections ranging from $7.5bn to $26bn.

US TREASURY YIELDS



● Friday's employment report for April should show civilian unemployment unchanged at 6.6 per cent, with estimates ranging from 6.5 to 6.7 per cent. The growth of non-farm payrolls, another closely watched indicator of economic conditions, is thought to be 225,000, with forecasts of the rise ranging from 180,000 to 350,000. In March non-farm payrolls grew by 164,000.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.11	6.42	6.17	11.36	5.71
Three-month Treasury bills	5.65	5.76	5.90	6.52	5.01
Six-month Treasury bills	5.98	6.00	5.72	6.54	5.06
Three-month prime CDs	6.88	6.68	6.26	6.95	5.46
30-day Commercial Paper	6.65	6.40	6.18	7.78	5.55
90-day Commercial Paper	6.75	6.60	6.18	6.80	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	[illegible]	8.21	8.29	7.35
20-year Treasury	[illegible]	[illegible]	8.67	8.85	7.96
30-year Treasury	[illegible]	+1	8.59	8.69	7.87
New 10-year "A" Financial	n/a	n/a	9.30	9.50	8.30
New "AA" Long utility	n/a	n/a	9.65	9.75	8.90
New "A" Long industrial	n/a	n/a	9.60	9.75	8.90

Source: Salomon Bros (estimates).

Money Supply: In the week ended April 20 M1 rose by $14.8bn to $757.2bn.

NRI TOKYO BOND INDEX

December 1983 = 100	30/4/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	140.28	3.87	139.56	134.73	129.63
Government Bonds	142.76	3.35	141.52	135.40	130.70
Municipal Bonds	137.61	4.88	137.32	135.10	129.54
Government-guaranteed Bonds	140.48	4.64	140.19	136.04	130.09
Bank Debentures	134.52	3.52	134.12	130.90	126.27
Corporate Bonds	137.25	5.10	136.99	133.95	128.60
Yen-denominated Foreign Bonds	138.44	6.11	138.26	135.11	130.43
Government 10-year†	4.17	—	4.26	5.16	5.57

† Estimated par yield.

Source: Nomura Research Institute.

UK GILTS

Why US rates rise should bypass Britain

ANY RESIDUAL worries the gilt market had that the upwards move in US short rates signalled an end to the downtrend in UK rates were laid to rest last week by the Tuesday cut in base rates. Effectively, it seems, monetary policy in the two countries has been decoupled. The crucial questions must be: for how long and with what effect?

The most graphic example of failed decoupling was in 1984. During the first half of that year, US short rates rose steadily while UK rates were more or less unchanged. Widening from a ½ per cent differential in January, the gap in favour of the US had moved to almost 3 per cent by late June. During the same period, but extending a trend that first became established in the mid-1970s, the yield gap on 20-year bonds also moved sharply in favour of the US.

At this point, the more learned members of the financial community pointed out that there was no reason why decoupling should not be a long-term feature of the markts: it all depended on exchange rate expectations. And so it did: by mid-year, sterling had buckled and interest rates in the UK were forced up to match those in the US. The convergence in bond yields took slightly longer, and parity was not reached until mid 1985.

Two years on, with UK long bond yields again set to fall below those in the US, the question has been murmured: can interest rates be decoupled from those in the US? This time, the argument is of a more global nature: the debate is whether higher short rates in the US will necessitate similar moves in Japan, West Germany and the UK.

As evidenced by the cut in UK base rates last week, the answer is, quite clearly, no. It is not excess demand or the threat of rising inflation that is putting upward pressure on US rates, and it is not the extent of the trade deficit (perhaps it should be); rather, it is the necessity to protect the dollar from collapse.

Almost by definition, the upward trend in US short rates has increased the pressure for lower rates elsewhere. This argument has two strands: most obvious, exchange rate pressures will be more effectively relieved if Japanese and German rates decline as US rates rise. In addition, however, higher rates in the US would tend to slow growth there—thereby increasing the necessity for the rest of the industrialised countries to generate demand domestically.

With German and Japanese rates already at near-record lows, the chief beneficiary in the process is likely to be the UK: having been forced to maintain a stringent interest rate regime in order to protect an embattled pound, a reassessment of the UK situation is likely to leave considerable scope for rates to fall closer into line with those in Japan and Germany.

The convergence with US short rates is likely to be even more dramatic—and by the end of the year with base rates forecast to be 8 per cent the gap which now stands at 2½ per cent may have almost closed. In the longer term, so long as the US fails to address the fundamental imbalances in its economy, monetary policy will continue to diverge.

During the second half of 1987 (in what is now almost certain to be a post-election environment) the gilt market will prosper from a better domestic fundamental background than feared—without the signs of overheating that have been predicted. Inflation seems unlikely to be above 4 per cent at the year-end and the feared balance of payments crisis will remain the ghost of yesteryear. More importantly, however, entry into the European Monetary System (probable, though not certain) will proffer to the international investor the currency protection that will make the relatively high UK yield structure immeasurably more attractive.

At the same time as short rates in the UK and US move together, long bond yields are expected to have crossed decisively. At the end of this year, US Treasury 7½ per cent 2016 is expected to be yielding around 9½ per cent; a comparable UK gilt is expected to be on a yield of 8 per cent.

In an international perspective, the attraction of the UK market is clear. In the eight months to the end of the year, gilts are expected to outperform not only US Treasuries: the scalps of the German and Japanese markets will be gained as well.

Richard Jeffrey
Hoare Govett

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg on day	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS; EQUITY WARRANTS: [illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Closing prices on May 1.

Eric Short on Sun Life's battle with Liberty Life

Pearl favourite for friendly merger

THAT Sun Life Assurance Society, a leading life company and financial services group, now appears ready to contemplate rescue by a British rival, shows how determined it is to prevent Liberty Life of South Africa from gaining effective control.

Pearl Assurance has emerged as the favourite candidate for a friendly merger just as an intense battle of words, with Sun Life using language reserved for a bitterly opposed takeover, was reaching its peak.

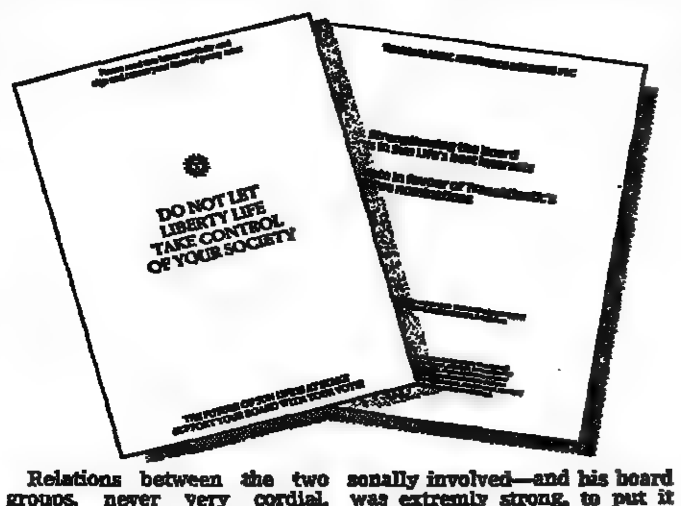
To the uninitiated, the issue looks straightforward. TransAtlantic Insurance Holdings, Sun Life's largest shareholder with 25.7 per cent, is seeking to get three of its top executives appointed to the board of Sun Life.

So why is the Sun Life board, under the chairmanship of Mr Peter Grant, so vehemently opposed to this proposal and determined to defeat it?

Shareholders need to go back a few years when Mr Donald Gordon, chairman and chief executive of Liberty Life, acquired the stake in Sun Life through TransAtlantic, which until the end of last year was a subsidiary of the South African company.

He made no secret that he regarded Sun Life as a means of penetrating the UK market as part of Liberty Life's strategy to become an international group.

Mr Gordon's proposals were either turned down by Sun Life or he considered that the price of co-operation—the selling of the equity stake—was too high.



Relations between the two groups, never very cordial, plummeted in January when TransAtlantic blocked Sun Life's plans to become a holding company.

In the end, Mr Gordon resolved the situation by letting shareholders decide the future development.

TransAtlantic is proposing three of its top executives for election to the board, although Mr Gordon has been careful not to put his own name forward.

If this proposal succeeds at Sun Life's annual meeting a week tomorrow, TransAtlantic would have three representatives out of 16 board members —a move that, in arithmetic terms, does not represent control.

Yet the reaction from Mr Grant—who has become personally involved—and his board was extremely strong, to put it mildly.

"Do not let Liberty Life take control of your society," was the board's message to shareholders.

Liberty Life still holds 48 per cent of TransAtlantic and Mr Gordon is still chairman.

"Control of the society must not pass through the back door," is another message.

Strong language to oppose a simple resolution for election to the board.

Sun Life has followed this direct appeal to shareholders by newspaper advertisements using language which would be unlikely to survive the scrutiny of the Takeover Panel, if a bid was in progress.

TransAtlantic has been more restrained, stating that the appointment of three executives with proven experience, listed in the document sent out over the weekend, will be very much to the benefit of the future development of Sun Life.

It turns the vitriolic language of Sun Life back on its source by asking why such a modest proposal has provoked such a strong reaction and pointing out that three out of 15 directors does not mean control.

After again reassuring that it has no intention of seeking control, TransAtlantic counter-attacks by claiming that Mr Grant must take much of the responsibility for the present impasse.

It goes further, however, and indicates that it "may find it difficult to support" the re-election of Mr Grant to the board next week.

One may question the methods used by Mr Grant and the board, but there is no doubt that shareholders in Sun Life will be taking notice of the resolutions. The company has booked Goldsmiths Hall for next week's meeting, rather than the usual venue of its own boardroom.

A rejection of TransAtlantic's proposals next week — or the emergence of a "white knight" in the meantime — would not end the battle.

It would be putting Mr Grant and Sun Life's board on warning that it had 12 months to get a merger deal put together. And such a move could herald a battle royal if Mr Gordon decided to preserve his interests with a counter bid, rather than sell out.

Norton Opax sells publishing side in UK

By Clay Harris

Norton Opax expects to realise £10m to £15m from the disposal of its UK publishing interests, which it is selling in order to concentrate on specialist printing and packaging.

The group plans to sell Headway Publications, publisher of British Airways' High Life, National Westminster Bank's Moneycare and other corporate magazines; Manor House Press, publisher of trade annuals; and Opax Publishing, which produces the County Life series as well as courtesy magazines for hotels.

The three subsidiaries, with combined annual profits of about £1.5m, will be auctioned separately by Samuel Montagu, the company's merchant bank.

Mr Robert Maxwell's 24 per cent stake in Norton, a relic of the company's narrowly won takeover last year of McCorquodale, a larger printing group, was not a factor in the decision, Mr Richard Hanwell, chief executive, said yesterday.

He did not exclude the possibility that one of Mr Maxwell's companies might be in the market for one or more of the divisions but he said that Mr Maxwell would understand the wisdom of using an auction to get the highest price.

Norton Opax also announced yesterday the streamlining of its main board from 12 to six people as part of a restructuring of the group.

In addition to Mr Hanwell as group chief executive, the board now comprises Mr David Rocklin, chairman; Mr Roger Dimbleby, finance director; Mr John Grainger and Mr Philip Cushing, chief executives respectively of UK and international operations; and Mr Joe Wiltshire as a non-executive director.

Fraser selling funeral side to CWS and Hodgson

The House of Fraser is expected to announce today that it has concluded the largest deal in the history of the funeral services industry by selling its undertaking interests to Hodgson Holdings, the fast-growing funeral group, and to the Co-operative Wholesale Society.

In the deal Hodgson should acquire the larger part of the group, the House of Fraser's funeral business in England, which formerly traded as Ingall Industries, while the Co-op should take over its Scottish interests.

By acquiring the English business Hodgson would add 58 branches involved with 13,300 funerals a year to its business. It would thus become the second largest undertaker in the UK, following the Co-op, conducting over 4 per cent of all English funerals.

The House of Fraser bought Ingalls two years ago for £9.6m and is thought to have sold it to Hodgson for more than £15m.

Mr Howard Hodgson, chairman of Hodgson Holdings, was unavailable for comment.

Hodgson has grown rapidly since the mid-1970s when Mr Hodgson bought a Birmingham funeral home and two undertakers from his father. The pace of growth has accelerated since the company joined the Unlisted Securities Market last June. Its share price, which was suspended four weeks ago pending an acquisition announcement, has more than trebled since the flotation and the company is now capitalised at £39.3m.

For the CWS the opportunity to acquire the House of Fraser's Scottish interests must be particularly gratifying. In 1985 the House of Fraser succeeded in taking over Ingalls by playing the role of the 'white knight' in a bitterly contested bid in which the Greater Midlands Co-operative Society was cast as the predator.

The CWS has confirmed that it is in negotiation with the House of Fraser. Should it succeed in taking over the Scottish business it will add an additional 9,500 funerals a year to its undertaking interests. The Co-operative movement already dominates the funeral industry, after the acquisition it would conduct more than a quarter of all the funerals in Britain.

In the last decade or so the undertaking industry has undergone a dramatic transformation. Hitherto it has been fragmented between thousands of independent family firms, but in recent years a new breed of mini-conglomerates has emerged. Three companies all quoted on the USM—Great Southern Group, Kenyon Securities and Hodgson—have built up substantial funeral services groups through acquisition.

Thus far this takeover activity has centred on small, family firms. Hodgson's purchase of the House of Fraser's English interests would be by far the largest deal of all.

Era Group returns to the stock market today

BY CLAY HARRIS

Era Group, formerly "The Times" Veneer, is due to return to the stock market today after a six-week suspension. It plans to move quickly to acquire another niche retailer.

Consumer products is likely to be the next move for Era. After the sale of the original veneer business to management, Lexterten, the reproduction furniture manufacturer and retailer bought in March for £10.9m, now accounts for about 90 per cent of Era.

Lexterten opened its 29th store last week in Cambridge. It plans to have 50 to 60 in the UK within three years and then expand into West Germany, according to Mr David Llewellyn, Lexterten chairman and Era's new managing director.

The company had a market value of £13.4m when its shares were suspended at 75½p on March 20. Since then, Era has nearly doubled its fully diluted share capital with the issue of 10.5m ordinary shares and convertible preference shares representing an additional 5.7m ordinary shares.

Era is nevertheless prepared to issue more shares to fund its expansion. "I don't think any of us has any hang-ups about dilution (of shareholdings)," says Mr Robert Newman, director responsible for acquisitions and finance.

The merged company had pro forma earnings of 2p per share in 1986 compared with "The Times" Veneer's actual 0.1p earnings. The sale of the veneer business freed cash resources of £1.2m and made a 2.8-acre site in north London available for sale or development.

Allied London

First half profits of Allied London Properties rose 23 per cent, from £1.44m to £1.77m, and the directors expressed confidence for the full year. They expected an increase over the £3.9m of 1985-86.

Since the half year the company purchased an office building in central Harlow and contracted to purchase six retail warehouse stores and garden centres, for a total of £17.75m.

Earnings in the half year worked through at 2.68p (2.3p)

Clarkson tops forecast with 31% profit rise

PROFITS comfortably in excess of the forecast were achieved by Horace Clarkson, the shipping, shipowning, and insurance broking group which was introduced to the Stock Exchange last June.

At the time of the introduction issue the directors estimated pre-tax profits for 1986 at a maximum £2.4m. In the event they came to £2.71m and reflected a 31 per cent increase over the previous year's £2.07m.

Shipbroking profit rose 16.5 per cent to £2.84m, helped by some improvement in markets in the second half, while insurance broking advanced 34 per cent to £933,000.

Shipowning losses showed a big improvement, declining from £1.03m to £781,000.

The final dividend is 2.75p, thereby maintaining the total 4.75p net rate on the increased capital. Earnings were 8.4p (7.3p) per share.

Mr Carron Greig, the chairman, said the group had a good year in a difficult environment in the traditional shipbroking business.

Sunleigh's unproven record attacked by Dale Electric

BY NIKKI TAIT

Dale Electric, the power systems manufacturer, has hit back at predator, Sunleigh Electronics's "unproven record and untested management" in a strongly-worded defence document.

Dale accuses Sunleigh — whose paper-only values the company at £12.1m—of having "a short and unconventional career as an unlisted company in which it has altered with bewildering speed."

Sunleigh is quoted on the USM, and last year saw management change when four former or current directors of the fully-quoted group, FKI Electricals, came onto the board. FKI holds one-quarter of Sunleigh's shares.

"The nature of Sunleigh's relationship with its major shareholder should be explained," says the document. "Two of Sunleigh's four acquisitions in 1986 were purchased from FKI, and a third was one in which an FKI director had a substantial shareholding. Is Sunleigh a 'dustbin' for FKI?"

Dale goes on to attack the combination of merger and acquisition accounting and the level of extraordinary costs in 1986.

In defence of its own record, Dale says it has tried to diversify away from generating sets, which were heavily dependent on oil states' demand, so that these now account for under half the company's sales.

The company tumbled to a £961,000 loss in 1985-86, but Dale blames this on world demand for generating sets and problems at its Thai subsidiary, and points to first half profits of £539,000.

"The recovery continues," says chairman, Mr Joseph Palmer, suggesting that a profit forecast may be forthcoming later.

Yesterday, Mr Tony Merryweather, chairman of Sunleigh, rejected the document as "a lot of hot air. They haven't done anything to show firm recovery—if they've had a major turnround, let's see it," he said.

Sharna Ware's £0.6m cash and carry loss

By Clay Harris

Sharna Ware, the toy manufacturer, expects to have lost up to £600,000 in the first four months of this year on its only remaining cash-and-carry store, which it closed last week.

The company, which lost £493,000 before tax in 1986, disclosed the figure for the store at Bidston, Birkenhead, Merseyside, in the listing particulars for the £1.07m share issue which will give JO Hambro Investments a 29.9 per cent holding.

Sharna Ware said that no provision had been made for the costs of the Bidston closure or the sale in February of its store in Stockport.

It is suing the developers, designers, builders and specialist piling sub-contractors involved in the construction of the Bidston store for more than £750,000. Sharna Ware said that it would be liable for remedial building work if the claim, due to be heard in October, is not successful.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Allied-Lyons	May 18	Final 6.25
Assoc. British Foods	May 19	Final 4.2
Aust & NZ Bank	May 19	Interim 15 cts
BOC	May 21	Interim 4.37
*Bass	May 20	Interim 4.2
*Boots	May 28	Final 4.6
British & Com'with	May 15	Final 2.8
Bunzl	Mar 31	Final 4.2
Coalite	May 28	Final 5.5
Courtaulds	May 28	Final 4.75
De La Rue	June 3	Final 24.75
*English China Clays	May 14	Interim 4.35
Extel	May 8	Final 8.0
Ferguson Industrial	May 22	Final 5.16
*Grand Met	May 14	Interim 4.0
Hanson Trust	June 3	Interim 1.4
Harrisons & Crosfield	May 28	Final 18.5
*Land Securities	May 13	Final 6.9
*Marks and Spencer	May 6	Final 3.65
*Metal Box	Jun 9	Final 12.9
*Northern Foods	Jun 18	Final 3.75
Plessey	May 22	Final 4.172
Polly Peck	May 30	Interim 1.5
RHM	May 20	Interim 2.12
Redland	May 30	Final 7.617
Reed Intl	Jun 4	Final 16.0
*Royal Bank of Scotland	May 8	Interim 4.0
Saatchi & Saatchi	May 28	Interim 7.34
Sainsbury J.	May 20	Final 3.85
Sears	May 13	Final 2.5
Sketchley	Jun 3	Final 12.8
Stakis	May 8	Interim 0.45
Storehouse	Jun 5	Final 5.7
*Trafalgar House	May 6	Interim 6.2
*UBI	May 11	Final 3.6
*Utd. Scientific	May 7	Interim 2.3
Whitbread	May 21	Final 5.85
Wolverhampton & Dudley Brs	May 29	Interim 3.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	May. 1	Apr. 30	Apr. 29	Apr. 28	Apr. 27	Apr. 24	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.96	91.69	91.85	91.56	91.64	91.62	92.19	84.49	127.4	49.18
Fixed Interest	97.37	96.86	96.93	96.35	96.62	97.47	97.98	90.23	150.4	50.53
Ordinary	1626.9	1612.0	1608.6	1589.4	1565.2	1580.9	1626.9	1320.2	1226.9	49.4
Gold Mines	444.4	447.3	439.2	440.1	463.6	444.4	485.0	288.2	734.7	43.5
FT-Act All Share	1032.48	1023.58	1017.89	1010.75	994.81	1001.33	1032.48	835.48	1092.48	61.92
FT-SE 100	2068.5	2050.5	2038.6	2022.1	1986.6	2001.5	2068.5	1680.0	2068.5	986.9

BOARD MEETINGS

TODAY

Interims — John Perkins Meats, Trafalgar House.

Finals—Ambrose Investment Trust, Derby Brewery, Joseph Holt, Hopkinsons, Minet Holdings, Silentnight, Waco.

FUTURE DATES

Interims—	
Brooke Tool Engineering	May 19
Finals—	
Allied Lyons	May 19
Boots	May 28
External Investment Trust	May 13
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UK COMPANY NEWS

Britannia flotation via offer for sale

BY RICHARD TOMKINS

The principal shareholders of Britannia Group—left to right—Irwin Richards (managing director), James Sugrue (chairman), Robert Herrick (civil engineering director)

Britannia, a Cheltenham-based property developer, seems set to become a member of a very small club when it is floated on the stock market next month.

It plans to be only the third company this year to have chosen the offer for sale route to a quotation when it could have opted for a cheaper and easier placing.

So far this year, only two new issues, raising less than the £15m limit on placings, have chosen offers for sale: Capital Radio and Sock Shop.

Britannia, which is advised by Brown Shipley, the merchant bank, is inclined towards an offer because it hopes the publicity will enhance its standing with major clients. "It is a small company with big aspirations," Brown Shipley says.

The company is likely to come to the market at a value of £12m to £15m. About 30 per cent of the enlarged equity will be sold, more than half of it in the form of new shares issued by the company. Brokers to the issue will be Heseltine Moss.

Britannia carries out a wide range of property development and construction projects, mainly in the Cheltenham, Gloucester and Swindon areas. It is involved in industrial development, housebuilding and commercial property, and recently it has specialised in out-of-town retail projects for major chain store groups.

The company has changed significantly since it was founded in 1960. Then, it was a civil engineer mainly engaged in dismantling coal gas holders and reclaiming the land they were built on for development.

Instrumental in achieving the transformation was the company's present-day chairman, Mr James Sugrue, 52. He is bringing the company to the market with the two other principal shareholders — Mr Irwin Rickards, managing director, and Mr Robert Herrick, civil engineering director.

These three have been with the company for 15 to 20 years apiece, but assumed their present positions only four years ago when they staged a management buy-out from the original founders, who had ceased to be actively involved in the business in 1973.

The buy-out cost nearly £2.2m, financed through an overdraft from Barclays Bank. Since then, the present management's top priority has been to generate cash to repay the borrowings.

The result is evident in the profits record. The pre-tax figure fell from £242,000 in 1983 to £100,000 in 1984, partly because of the weight of interest charges produced by the buy-out, and partly because the group was pursuing less speculative cash-generative business at lower margins.

The company says that in spite of competitive pressures in the building industry and its difficulty in financing longer-term developments, it has been achieving gross margins of 8 to 12 per cent on construction and civil engineering projects, and 18 to 40 per cent on property and land development.

With borrowings substantially repaid last year, and with the help of a £490,000 gross profit on the sale of development land, pre-tax profits rose from £296,000 in 1985 to £801,000.

Britannia seems likely to be coming to the market on a forecast of roughly double that for the current year, not least because of the realisation of profits on Britannia House, a conversion of the former ABC cinema site into an office building on Cheltenham's famous Promenade.

The probable injection of £4m to £5m into Britannia as a result of its flotation will greatly increase its scope for property development, and the group is especially optimistic about the growth prospects in the leisure and retail sectors.

The rating on which the company's shares will be floated is still being discussed, but is likely to be set somewhere between the relatively low multiples attracted by building and construction companies, and the higher multiples attracted by the developers.

The recent flotations of housebuilders Wilson Bowden and Charles Church Developments were not very well received, but shares in Waterglade International, the property developer floated last month by Brown Shipley at 140p, were at 183p last week.

Hillards plans 'too little too late' says Tesco

BY NIKKI TAIT

Tesco, the supermarket group, has posted its final offer document for Hillards, the Yorkshire chain, reiterating that its target's investment plans are "too little and too late." It also purchased a further 200,000 Hillards shares, taking its stake to 11.1 per cent.

"Hillards future is vulnerable to rapidly increasing competition in its trading region," claims the document. It also attacks Hillards' forecast of not less than £15m pre-tax in 1987-88; "achievement of this forecast . . . would only be at the cost of longer-term profits."

But Hillards immediately fired off a lengthy rebuttal of various Tesco claims. Like for like volumes at Hillards are expected to rise by nearly 3 per cent, says Mr Peter Hartley, the company's chairman, and he defended the profit forecast and implicit margin improvement as "the logical conclusion of our policy of opening new stores, improving the sales mix and investing in productivity."

RANDSWORTH TRUST has exchanged contracts to acquire 19 UK property investments owned by Fisons Pension Trust for £8m cash. Consideration will be met from Randsworth's own resources.

David Smith spending £9.5m on acquisitions

BY GRAHAM DELLER

David S. Smith, packaging, paper and board manufacturer, has returned to the acquisition trail. In a tidying-up operation, it has acquired the outstanding minority capital of its St Regis Packaging subsidiary, and also revealed the purchase of Severnside, a waste paper processing company.

The minority holding in St Regis Packaging, comprising 20 per cent of the equity capital and 3.99m preference shares, was purchased from Lawson Mardon for £6m cash, payable at the end of June.

Severnside, purchased for £3.5m cash, also from Lawson Marden, achieved taxable profits of £427,607 on a turnover of £9.82m in the year to December 1986. Net assets at that time amounted to £2.48m.

Mr Richard Brewster, chief executive, said that the acquisition of Severnside "would complement group activities in the factoring and processing of waster paper by securing a greater involvement in the sourcing of raw materials for the British paper and board industry and other markets."

It was a further step in the group's programme of expansion, he added.

This notice is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or otherwise acquire any shares in Era Group PLC

ERA GROUP PLC

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Application has been made to the Council of The Stock Exchange for the whole of the issued ordinary Share Capital formerly listed on The Stock Exchange and the new ordinary shares allotted on 1st May, 1987 to be admitted to the Official List.

The following table sets out the share capital of Era Group PLC as at the date hereof:-

Authorised £		Issued and fully paid £
2,250,000	ordinary shares of 5p each	1,407,540.85
2,137,500	9% (net) Cumulative Convertible Preference Shares of 25p each	2,137,500.00
4,387,500		3,545,040.85

Listing particulars relating to Era Group PLC will be circulated in the Extel Statistical Service and copies of such particulars may be obtained from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2 2BT for two days from the date of this notice (for collection only) and, during normal business hours (Saturdays and public holidays excepted), for 14 days from the date of this notice from:-

Era Group PLC
35, North Audley Street
London W1Y 1WG

Sheppards
No. 1 London Bridge,
London SE1 9QU

5th May, 1987

GRANVILLE SPONSORED SECURITIES

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E
6,351	Ass. Brit. Ind. Ord.	157xd	—	7.3	4.6	9.6
—	Ass. Brit. Ind. CULS	163	—	10.0	6.1	—
925	Armitage and Rhodes	37	+1	4.2	11.4	6.2
6,210	BBB Design Group (USM)	75	—	1.4	1.9	17.9
72,974	Bardon Hill	227	+5	4.6	2.0	25.8
7,987	Bray Technologies	148xd	+15	4.7	3.2	11.6
473	CCL Group Ordinary	135	+1	2.9	2.1	8.6
1,283	CCL Group 11pc Conv Pref	101	—	15.7	15.5	—
16,232	Carborundum Ord.	270	—	10.7	4.0	11.7
668	Carborundum 7.5pc Pref.	94	—	10.7	11.4	—
1,753	George Blair	95	+1	3.7	3.9	2.4
9,639	Isis Group	121	−1	18.3	NA	NA
6,509	Jackson Group	125	—	6.1	4.9	8.5
61,560	James Burrough	368	+1	17.0	4.6	10.3
3,232	James Burrough 9pc Pref.	94	+1	12.9	13.7	NA
47,585	Multihouse NV (AmstSE)	610	−60	—	—	32.0
9,200	Record Ridgway Ordinary	400	+37	—	—	8.1
2,322	Record Ridgway 10pc Pref.	86	—	14.1	16.4	—
847	Robert Jenkins	63	−2	—	—	3.7
3,915	Scruttons	67	+7	—	—	—
3,806	Torday and Carlisle	166	+2	5.7	3.7	9.5
1,496	Trevian Holdings	330	+5	7.9	2.4	6.9
17,400	Unilock Holdings (SE)	87	+1	2.8	3.2	16.0
37,074	Walter Alexander	143	+8	5.0	3.5	13.7
4,574	W. S. Yeates	198	+3	17.4	8.9	19.6
4,707	West Yorks Ind Hosp (USM)	111	+6	5.6	5.0	16.9

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CONSTRUCTION CONTRACTS

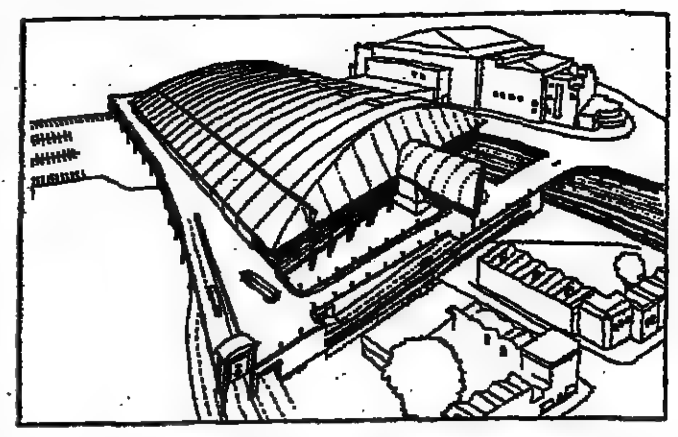
New hall at Earls Court

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

P&O subsidiary Bovis has been awarded a £40m contract to design and build an exhibition hall at Earls Court.

The new hall will be built on a complicated site straddling railway lines, a car park, part of the existing exhibition halls, and the British Rail and London Underground Lillebridge Road Depot.

It will increase the exhibition space available at Earls Court by 25 per cent, providing about 17,000 sq metres of column-free space with a clear height in the centre of 25 metres.



With architects Robert, Matthews, Johnson, Marshall and engineers Clarke Nicholls Marcel, Bovis has produced a barrel vault design for the new hall constructed on a concrete platform set seven metres above the railway tracks.

The contract includes constructing car parking space below the hall, a range of bars and restaurants around it, and through road for heavy vehicles between the new and old exhibition halls.

Construction is planned to start early next year with completion scheduled for the summer of 1989.

Bovis was awarded the contract after negotiation with Earls Court Ltd, another P&O subsidiary.

Improving the North Circular

The £16m A406/A10 improvement scheme awarded by the *Department of Transport* to Alfred McAlpine Construction has started, paving the way for a new junction of the A10 Great Cambridge Road and A406 London North Circular Road. Work will involve constructing an underpass to take the North Circular Road under the Great Cambridge Road. The underpass will be crossed by three overbridges. The contract also involves construction of an enlarged roundabout at ground level to which the North Circular Road will be connected by slip-roads, and the construction of five subways, two footbridges and noise barriers.

Whyatt (part of the construction division of Alfred McAlpine) has been awarded a contract worth about £1.25m by the London Borough of Houslow for the construction of 17 two-bedroom and 16 three-bedroom houses in a traditional style with facing brick and tiled roofs. The homes will be built at Bull Field, Whitton Dene, Isleworth. The 66-week contract has started.

Whatlings (part of the construction division) has been awarded two contracts for civil engineering and foundation work in Stirling and Glasgow. The first, awarded by the Central Regional Council at Stirling is worth over £405,000, and is for Stage II of the Falkirk Inner Ring Relief Road. The second, from Glasgow District Council (worth £260,000) is for piling and associated work at Dalhousie Street, Glasgow.

Multi-storey Docklands office block

J. AND J. FEE, Halifax, has won a £10m design and build contract from Bass subsidiary Standard Commercial Property Securities, to build a 70,000 sq ft multi-storey office complex in the London Docklands Enterprise Zone. The development overlooks *Millwall Dock* and adjoins the South Quay station of the new Docklands Light Railway, due to open this summer. Work has started.

Law Courts extension

NORWEST HOLST is to construct the 12-storey, £8m extension to the Royal Courts of Justice in London's Strand.

The turreted tower—designed by the Property Services Agency to blend in with the original, Grade 1 listed law courts—will provide an extra 12 courtrooms.

With two vertical stacks of six courts, the six-metre floor-to-floor dimension courts are linked to the 12-storey Thomas More tower which is of similar height but with half the floor-to-floor height. Each of the stacks are staggered so that public entrances to the courts are on the same level as each floor of the Thomas More building.

The building will be clad in natural Portland stone with bands of Ibstock Chedder Red face brickwork. Work, programmed for completion in 27 months, has started.

Radar site in Alaska

The US Navy has awarded a contract, worth about £14m ($22.5m), for site preparation works for a radar installation at Amchitka Island, Alaska. The joint venture selected for the project consists of Taylor Woodrow International; Riedel International Inc, of Portland, Oregon; and Chris Berg Inc of Seattle, Washington, and will be known as TAYWOOD-BERG-RIEDEL. The contract calls for rehabilitation of an airfield, fuel facilities, pier, water, sewer, roads and other existing facilities, and *construction of power* generator facilities and telephone/communication, site preparation.

The contract contains a £34m *($54.7m) pre-priced option for* site preparation for electronic equipment, construction of new quarters and dining facilities, communication, telephone, and road upgrades. Preliminary investigation of the site has started with contract completion due at the end of 1988.

Amchitka is near the end of the Aleutian Island archipelago in Alaska. It is about 40 miles long and four miles wide at its widest point.

*

COSTAIN CONSTRUCTION has been awarded a £3.7m contract by BhS to fit out and finish a retail outlet in St Ann's Centre, a new shopping development on St Ann's Road, Harrow, Middlesex. An existing shell unit at the centre will undergo some *structural alterations* before all the finishes and service installations are carried out. Completion is scheduled for the end of October.

Building homes in N. London

A £3.6m design and construct contract to build 127 homes at Brentfield Road, London NW10, has been awarded to JOHN *MOWLEM AND CO, jointly* by Paddington Churches Housing Association and Sutherland Housing Association. There will be 43 houses in terraces of four to seven houses each and 84 flats in four three-storey blocks. The houses will be two-, three- or four-bedroom and the flats one- and two-bedroom. Some of the ground floor flats will have provision for disabled people and wheelchairs. The contract includes roads, sewers and landscaping. All the homes will be of traditional construction on piled foundations and with full central heating by gas-fired boilers. Work has started for completion in August 1988.

*

SIR ROBERT MCALPINE MANAGEMENT CONTRACTORS has begun work on a £6m computer production facility for Compaq Computer Manufacturing in Erskine, Scotland. The project comprises a high-bay manufacturing building measuring 90 x 90 metres and a two-*storey office block* 83 x 19 metres with a central connecting mall 81 x 15 metres.

Construction will be steel frame with composite steel panel cladding and a barrel vault roof. Work will include installation of air-conditioning. Total project completion period is 11 months.

Tuesday May 5 1987

FINANCIAL TIMES SURVEY

Direct Marketing

The rapid growth of direct marketing can be put down to several factors, not least of which is its use in the Government's privatisation programme. As methods are even more refined to pinpoint specific targets its prospects remain bright and a more professional approach is reducing complaints about such sensitive areas as teleselling, says David Churchill.

The consumer calls the tune

DIRECT MARKETING is rapidly shrugging off its Cinderella-image of the early 1980s and is seeking to become accepted for what it is—one of the fastest-growing sectors in the marketing spectrum.

Its growth has been helped by a variety of factors—ranging from the Government's privatisation programme (direct mailing of potential shareholders) through to one-off projects such as the recent delivery to virtually every home in the country of a government leaflet about the dangers of AIDS.

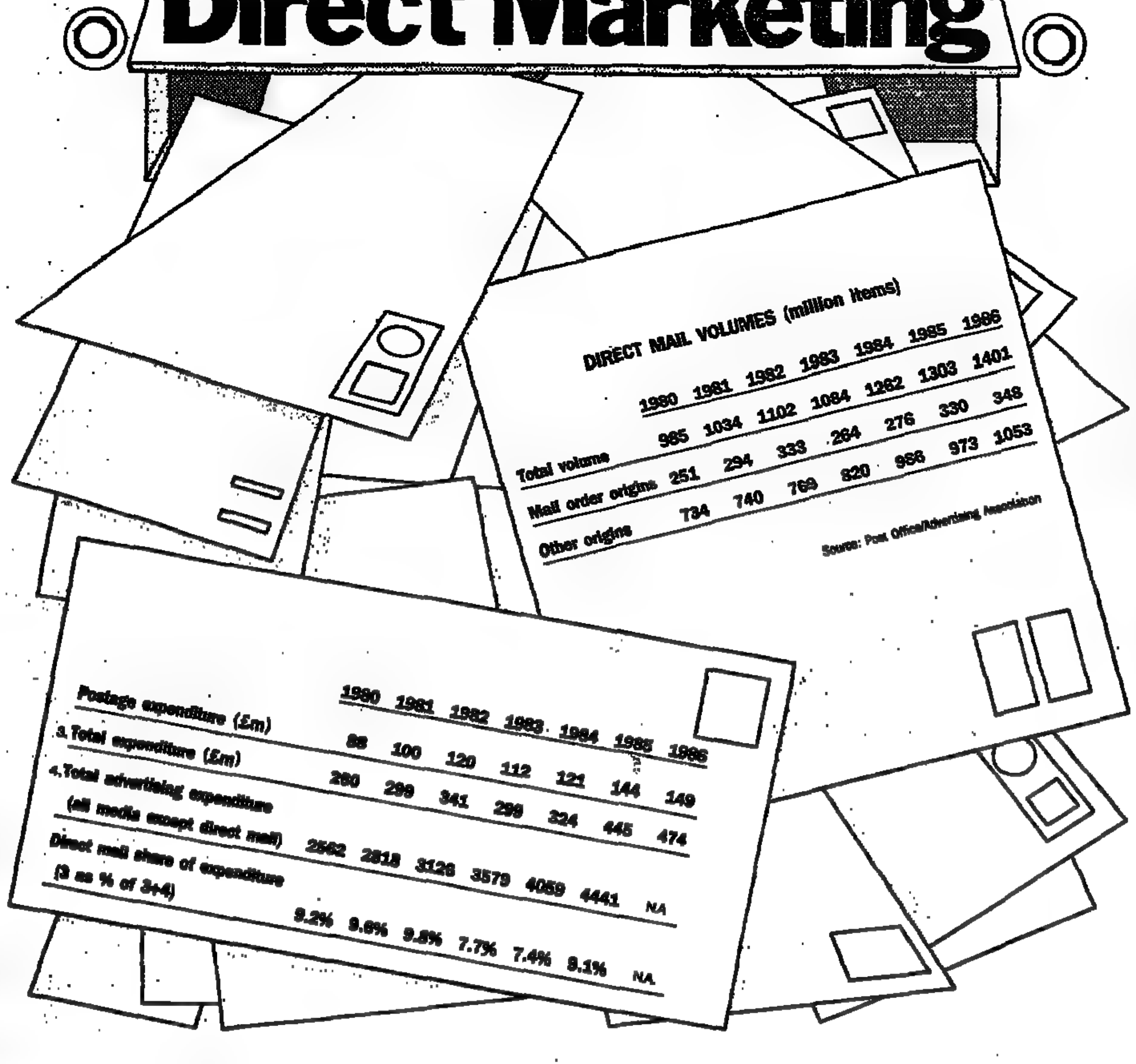
The forthcoming General Election will also be the first to be fought after extensive direct marketing campaigns to woo the voters carried out by all major political parties over the last couple of years.

The future, moreover, appears to offer almost unlimited potential. In the 1990s, the individual consumer will be king and one-to-one marketing disciplines will replace the mass-marketing mentality of the past. At least, that is the thesis advanced by two of America's leading direct marketing gurus—Mr Stann Rapp and Mr Thomas Collins—in their recent book, MaxiMarketing.

Many individuals, however, may view this with some alarm. There is no doubt that the growth in direct marketing—especially telephone marketing—can cause hackles to rise on those consumers who are targeted by so many direct marketeers, ranging from financial services through to package holidays.

One recent survey, for example, found that a third of those receiving direct mail shots would prefer not to receive them, while a further third were happy to leave things as they are. The remaining third wanted to receive more mailings—but only on subjects that they were interested in.

The survey, moreover, suggested that direct mail was found to be more intrusive than television, press or radio, more likely to add to the cost of purchase, less honest, and a medium that tended to talk down to the recipient.



DIRECT MAIL VOLUMES (million items)

	1980	1981	1982	1983	1984	1985	1986
Total volume	985	1034	1102	1084	1262	1303	1401
Mail order origins	251	294	333	264	276	330	348
Other origins	734	740	769	820	986	973	1053

Source: Post Office/Advertising Association

	1980	1981	1982	1983	1984	1985	1986
Postage expenditure (£m)	88	100	120	112	121	144	149
3. Total expenditure (£m)	280	299	341	299	324	445	474
4. Total advertising expenditure (all media except direct mail)	2562	2818	3126	3579	4059	4441	NA
Direct mail share of expenditure (3 as % of 3+4)	9.2%	9.6%	9.8%	7.7%	7.4%	9.1%	NA

Such disenchantment is perhaps only to be expected from a fast-growing, fledgling industry where one of the biggest problems is finding high-calibre staff. "Many direct marketing departments are staffed by people with little or no 'classical' marketing experience," points out Mr Anthony Thomson, a director of City Financial Marketing, a marketing consultancy specialising in financial services.

The financial sector has been the key engine of growth for direct marketing. The Big Bang, privatisation, mega-mergers, a spate of new issues, and enhanced competition in the financial services sector have all forced marketing managers to consider direct marketing as a means of getting their message across.

This is the crucial element of direct marketing. It enables companies to reach specific target groups—and measure the response—more effectively than through other forms of marketing. This "narrowcasting"—or close targeting of groups—has been one of the main trends in advertising, public relations, sales promotion, and other forms of marketing in the 1980s.

While mass-appeal advertising such as television commercials has its place in the marketing mix—although even such commercials are aimed at appealing to certain segments of the population—direct marketing allows the advertiser to reach consumers or other businesses in a way that can be the start of a continuing relationship.

As Mr Drayton Bird, deputy chairman of Ogilvy & Mather Direct, defines it: "Direct Marketing is any activity which creates and profitably exploits a direct relationship between you and your prospect."

Although direct mail is probably the best-known element in direct marketing, it is by no means the only component. Direct marketing also encompasses areas such as telephone marketing, direct response from coupons in magazines and newspapers, house-to-house distribution, mail order, and new areas such as home shopping through a television or computer system.

All these methods can be used in conjunction with other traditional advertising media.

But direct marketing differs in that it is usually aimed at achieving far more than just awareness of a company, product, or brand. The main objective is to obtain a response directly as a result of the promotional message—although the response need not necessarily be simply an order, since it can include arranging for a salesman to call or for more information to be sent.

The exact size of the direct marketing industry is difficult to quantify accurately, because of the wide disparity in what is covered. Direct mail alone, for example, was estimated at £474m last year by the Post Office, which clearly has a vested interest in the business. This makes direct mail a bigger medium than rivals such as magazines and regional press advertising.

Telephone marketing was worth another £50m to £60m last year, although this only covers sales through specialist agencies. There are no accurate figures for telemarketing carried out within companies.

The addition of mail order—both traditional catalogues and specialist direct-response catalogues—is estimated to make direct marketing worth at least £10bn in the UK. In the US, estimates suggest the industry is worth $150bn.

Where is the growth likely to come from? Apart from the mainstream financial areas, new users are coming on stream all the time. A further relaxation of the rules governing accountancy firms promoting themselves, for example, has encouraged some to try the medium.

"We use direct mail to increase awareness of our special seminars — but, as we are well aware that blanket mailshots will only irritate, we try to contact only those we know will be interested," points out Ms Victoria Tomlinson, marketing manager for the Arthur Young accountancy firm.

Charities also are increasingly turning to direct marketing as a means of raisiing money. The National Society for the Prevention of Cruelty to Children, for example, rented 31 lists of names last year to mail to people who had never before given to the NSPCC. The response was well above the average and the campaign won its direct marketing agency — Watson Ward Albert Varndell — an industry award.

Another area where direct marketing is gaining popularity is in retailing. Marks and Spencer, for example, has used direct mailings to stimulate demand for its charge card which is already used by over one million of its customers.

The area with the most potential growth for direct marketing is the home shopping revolution which is taking the US by storm.

In the UK, such direct marketing is still in its infancy because of the relatively low penetration of homes with cable television.

Not surprisingly, the growth prospects for direct marketing have prompted many advertising agencies belatedly to move into the sector. Last autumn Saatchi & Saatchi launched their own direct marketing agency, while a number of others have acquired or developed specialist agencies.

Among the leading direct marketing specialists, most have some link-up with an advertising agency. Wunderman International, for example, is part of the Young & Rubicam advertising agency while Morollo & Payfield is the direct marketing subsidiary of J. Walter Thompson.

The Christian Brann Group, one of the longest established direct marketing companies, is also one of the few exceptions to this trend since it is owned by Business Intelligence Services, one of the UK's largest computer software systems companies.

But are advertising agencies really taking direct marketing seriously? Mr David Barnes, managing director of direct marketing company DDM Advertising, points out that "direct marketing is heavily dependent on experience in specialist skills, many of which are alien to the world of above-the-line advertising."

The increasing involvement of advertising agencies in direct marketing, however, has further prompted the industry to raise its standards. The Post Office, for example, was instrumental in helping to establish the Direct Mail Sales Bureau to promote the medium and the Direct Mail Services Standards Board.

This board not only operates a recognition scheme for direct mail agencies who conform to codes of practice but also monitors standards generally in direct mail.

A further means of improving the acceptability of direct mail has been the Mailing Preference Service. Disgruntled consumers can ask for their names to be taken off mailing lists — so far some 53,000 have asked this, although another 6,000 have asked to be put on lists for areas in which they have a particular interest.

If standards can be maintained and improved, therefore, then the future for direct marketing looks sound and the confidence shown at last week's Montreux symposium on direct marketing will be fully justified.

DIRECT MARKETING 2

Telephone marketing

The professional touch moves into telesales

TELEPHONE MARKETING is something of an enigma in the direct marketing business. On the one hand it is probably the fastest growing sector in what is itself a fast-growing industry. But, on the other, it still retains a high level of distrust from prospective consumers. In a business where all you have to do (in theory) is pick up a telephone and call your target, it is not surprising that the "cowboy" image has been a problem.

Not only has the Office of Fair Trading taken an active interest in this area in recent years but also the direct marketing industry itself has had its doubts.

The judges, for example, in last year's Direct Marketing Awards were prompted to remark: "We were pleased to be able to announce a winner in the telephone section because in recent years standards have been so low that the award has been withheld."

In fact, the winner in the awards—which were sponsored by the British Direct Marketing Association and the Royal Mail—was North West Securities. The telephone promotion was used to follow up a personal loan mailing list encouraging existing AA members to use its loan facilities.

The judges chose the North West Securities entry because they "believed it had direct marketing objectives at the heart of the promotion, something other entries lacked." The winning entry was also said to be "very sensitive to the problem of invasion of privacy that telesales can cause."

It was such problems that prompted the Office of Fair Trading in 1984 to publish a report into the abuses of telephone marketing and make suggestions for the operators involved to improve voluntarily their practices or face government action.

The OFT's threat — allied to the growth of telephone marketing itself — has seen the industry improve standards considerably. The British Direct Marketing Association, for example, has recently published guidelines for telemarketing companies aimed at preventing consumers being harassed in their home.

The Market Research Society, moreover, is also seeking to raise standards to prevent bogus telemarketing operators from pretending to be carrying out market research when actually they are seeking to sell a product or service.

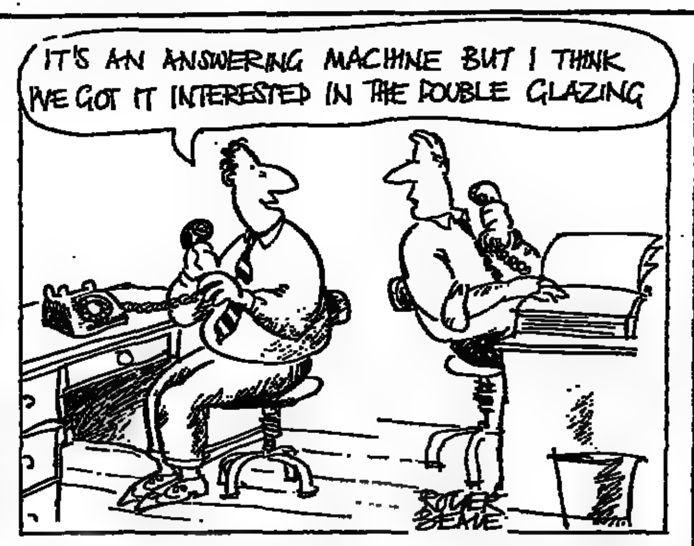
It has been suggested, for example, that telephone research companies should always end each interview with a restatement of the company name and the offer of a telephone number for transfer charge calls to check the company's authenticity.

The exact size of the telephone marketing sector is difficult to establish accurately, but most trade sources suggest it has trebled in value terms in the past three years to a total turnover of between £50m and £60m. This is only the market accounted for by specialist telemarketing companies and does not include the substantial sums spent by companies' own in-house telephone marketing operations.

Mr Paul Rowney, publisher of the trade journal Direct Response, suggests that growth among specialist companies will be of the order of 50 per cent a year for the next five years. In the US, expenditure on telephone marketing is estimated at $37.5bn with claims that by the end of the century some 8 million people will be directly employed in the telemarketing business.

"The major UK telephone marketing companies report that there is no appreciable resistance to telephone marketing in this country, provided that the medium is handled with the utmost professionalism," says Mr Rowney.

Spearheading the growth of telemarketing in the 1980s has been the continued growth of homes with telephones — now estimated at having reached over 80 per cent of all UK households. At the same time, there has been increased emphasis in recent years on extra telephones in the home and the development of mobile phones.



New technology, such as computer-based systems, has also helped to make telemarketing more effective, both in terms of cost and reaching the right targets.

Consumers, moreover, are becoming more educated in the techniques of telemarketing. When offered a choice, research shows that some 70 per cent of consumers prefer to respond by telephone rather than coupon.

Moreover, when presented with the option of two companies offering similar services, 65 per cent are more likely to contact the company which offers a free call than those who do not.

"We have endless evidence of this in the case of Freefone where the caller dials the operator to be connected free of charge, or in the case of Linkline where the caller dials the 0800 code followed by a 6-digit number for a free, direct call," points out Mr Adrian Noad, manager of British Telecom's freephone services division.

Furthermore, Linkline's flexibility in its different applications means that businesses from all sectors can benefit from the service. Qantas Airways, Norwich Union, and the Bradford and Bingley Building Society number among more than 2,000 companies in the UK who use Linkline. "Many of these companies report increases in sales of 30 per cent and even as much as 50 per cent," adds Mr Noad.

The future development of telephone marketing will, however, hinge on how the sector manages to keep on top of the surge in demand for its services — and how well client companies can integrate marketing by telephone into their overall marketing plans.

David Churchill

Business direct mail

Computers help in the pinpointing of targets

BUSINESS TO business direct mail—the most prolific end of the direct marketing business—labours under a number of myths.

That it is unwelcome, that it is slung out often before it reaches the recipients desk and that even when it does reach the right desk, it is never acted upon.

Unlike consumer direct mail there is a marked lack of research in the field of business direct mail but in the last year Morgan Grampian, the magazine publisher, has conducted a survey which came up with some telling findings. The sample consisted of 2,521 readers of its publications, drawn from groups of engineers, architects, the automotive aftermarket, and farmers.

The results showed that when direct mail is relevant and appropriate to the recipient, it is liked appreciated and acted upon. On average, businessmen receive nine mailings a month which suggests, say Morgan Grampian, there is scope for more. And far from being slung out by secretaries, more than 70 per cent of business direct mail is actually opened by the recipient. About one quarter is filed away or kept for reference.

A surprising 90 per cent admitted to inquiring at some time about a product or service as a result of receiving direct mail and one in five claim to do so often.

Mr Drayton Bird, vice chairman of Ogilvy & Mather Direct, offers a warning about competitors

The bad news is that respondents were split regarding the relevance of direct mail to their jobs—45 per cent feel it is not relevant in general and 36 per cent think it is not informative. This underlines the necessity for precise targeting, something much direct marketing still fails to achieve and which acts so often to nullify the marketing effort.

Now that computers are revolutionising, the way companies collate, store, cross refer and generate customer information, their likes, preferences, habits and purchasing behaviour, there is less and less excuse for imprecise targeting, in the business to business field as in the consumer field.

Database marketing, though nothing new as a concept, is this year's buzz word in direct marketing. Judging by the number of seminars alone on the subject, as one direct marketeer pointed out, there is no doubting its impact.

The increasingly sophisticated ability to arrange consumer data means there is a shift in focus from "making a sale" to concentrating more marketing pounds on making that sale lead to a long-term profitable relationship.

The authors of MaxiMarketing, one of the brightest of the year's crop of marketing books deliver a creed for the future: "Customers are no longer in the business of making and selling widgets, they are in the business of customer development." As the focus of all marketing effort is increasingly on the individual (as opposed to mass audiences), the onus is on companies to marshall their customer data better and use it as a sustained marketing tool.

Tony Cole of Milestone Direct Marketing, one of the relatively few business to business specialist agencies in the UK, spelt out the implications of the direct marketing boom, when he addressed the Montreux direct marketing conference last week.

The ability to pinpoint key markets is encouraging wider use of direct marketing in business, he said and predicted a greater dependence on direct marketing in future as marketeers realise that the "value of direct marketing is maximised when it is integrated into a complete programme of communications activity."

This means giving it equal placing alongside public relations, salesforce selling and dealer support. But this requires considerable change of attitude, he warned, on the part of company management and a commitment that cuts across established departmental boundaries.

No longer is direct marketing an afterthought, an either/or proposition. Increasingly specialists in this field find themselves working in tandem with a client's advertising agency. Advertising agencies, for their part, continue to recognise the growing demand as more of them set up their own direct marketing operations.

As a clue to the performance of this sector of direct marketing, Milestone—whose client's include IBM, 3M and the AA—reports a growth in turnover of 47 per cent on the previous year, with increasing interest coming from blue chip clients.

Summing up the value of direct marketing, Mr Drayton Bird of O & M Direct reminds marketeers of the line "What do you think your competition is doing when you're not there?" A motivating thought.

Fiona McEwen

The US

Home shopping by television turns on public

JUST WHEN the effort to use television for direct marketing to American households looked like a disastrous mistake, a new company showed that the simplest way was the best. In only one year, Home Shopping Network, a small Florida start-up company, expects to rack up sales of $800m with its formula of games and gags mixed with what is essentially 24-hours-a-day of promoting products sold over toll-free 'phone numbers.

Cable operators charge 5 per cent to 8 per cent of net sales as their fee for using the system. As Wall Street's endorsement of the concept, Home Shopping Network shot up seven-fold in price from its initial public offering of $3; other cable neworks, like the Financial News Network needed only to breathe the idea of starting a shopping programme to see their stock jump up.

Competition has responded in kind with the market now numbering more than 24 programmes, some full-time like Home Shopping Network, others appearing an hour or two a day on existing networks. Analysts assume that as competition proliferates, success will require reaching 10m to 15m homes per programme as the industry blossoms from only $90m sales in 1985 to $2.25bn expected in 1987.

With its 40m viewers, Home Shopping Network is bound to be a survivor along with Television Auction Network with 67m households, TelShop with 25m and Value Television with 19m.

Much of the enthusiasm is no doubt generated by the sheer novelty of the concept, making shopping not just convenient but also "entertaining," notes Linda Hyde of Management Horizons, a Price Waterhouse marketing survey subsidiary. Customers actually "like not knowing what item is going to come up next or the chance to talk with the host on the air."

Although the idea of using television for direct marketing goes back to the early 1980s, previous attempts were hit with high expenses and small response. The earlier efforts required special videotex systems or expensive interactive dials on a city's cable hookup. These services expected affluent viewers to appreciate the ease of shopping, while the present generation of home shopping venues, which began selling overstock and deep discount items, appeal to a mass market.

But videotex is getting a new life with the announcement in April that IBM and Sears are teaming up again to try to market their Trintex system not for televisions but computer screens. The $450m investment will provide a catalogue service, home shopping, news and information, including airline schedules.

Recognising the proliferation of home computers, some companies have taken a cheaper route to reach their upscale owners, sending diskettes advertising products like racy cars and high-ticket consumer goods.

The third of the original partners in Trintex, CBS, has dropped out and instead expects to start its own home-shopping programmes on its television stations in the four major markets of New York, Chicago, Philadelphia and Los Angeles. Also on the horizon are a travel network being established by TWA, and the major retailer, J. C. Penney, is starting Telaction, which like videotex provides a menu of available merchandise for viewers to pick what they want.

This proliferaion of television direct marketing has overshadowed developments in more conventional areas, where catlogues and magazine coupons have continued to reorient themselves to changing markets.

Supplementing increasing numbers of cigarette and sweets companies handing out samples of products on city streets in summer, Philip Morris started a consumer magazine that combines general features with a centre section devoted to cigarette smokers. Rather than promote particular brands, it gives advice on fighting local anti-smoking laws and other "smokers' rights" issues.

With a free circulation of 5.5m, Philip Morris Magazine has grown into the twelfth-largest general circulation magazine in the US in less than two years.

Computer retailing has seen nearly a third of its $22.5bn market taken by discount mail-order houses aimed at the knowledgeable buyer. The decline in computer retailers from 4,800 stores in 1985 to 4,500 in 1986 has been compensated for by the growth mail-order, with PC Connection, one of the earliest, having grown from sales of $100,00 in 1982 to $30m in 1986.

The door-to-door salesman who became a victim of the demographic change of women in the workplace has followed women to the workplace for sales. Rush-hour and lunch-hour parties for Tupperware now replace the home party while office conference rooms turn out to be used for outside business, not the company's.

Telephone direct marketing has taken to the annoying habit of calling people at their dinner, as the most likely time to catch them home.

The availability of women in the direct sales force has dropped 15 per cent, as reflected in flat annual sales of $8.5bn for the past two years in the home-sale market. Companies are becoming more reliant on computer-generated 'phone calls to prospective customers, a change that can leave annoyed people behind. California householders complain that a computer call taken by a 'phone machine will occupy a whole tape as each machine waits for the other to hang up.

The $50bn mail-order catalogue business has seen the entry of video catalogues, which come on a tape featuring 65 speciality items. Though Videolog, the first of these efforts to exploit the video-cassette era, costs a customer $12.95, the purchase price can be put towards the items being sold, which range from $19.95 to $329.

Top 10 in mail order

Ranked by 1984 catalogue

Sales	($m)
Sears, Roebuck	2,275
Montgomery Ward	975
Spiegel	671
Fingerhut	500
J. C. Penney	465
American Express Merchandise Services	240
Hanover House	210
L. L. Bean	200
Avon Fashions	186
GRI	112

Source: Maxwell Sroge Publishing

It is an expensive proposition—and not just for the consumer. The 60-minute tape costs the company $200,000 to produce and $8 to $10 per copy.

The changes in direct marketing reflect the technology and social developments that could not even be conceived of a century age when Sears Roebuck started its wildly successful mail-order business. The idea at that time was to bring shopping to inaccessible prairie homesteads, where a weekly trip to the general store passed for a consumer society.

With the mobility of the pioneers' successors, who have most things in easy reach, direct marketing might have been a concept that went the way of the horse and buggy.

But another avenue for sales, which can give manufacturers a means to bypass retailers, will not die so easily. Book companies have taken up direct marketing, for even with 20 per cent discounts on specialised items like Bantam offers in a recent computer-book direct-mail effort, the profit margin is 50 per cent greater than sales through retailers. Americans' mailboxes continue to be stuffed to the limit, and the post office may have been pushed past the limit with New York postal authorities concerned that a 3 per cent annual increase in volume will result in 6bn pieces of mail being handled in 1990, compared to the still-impressive loan of reading and merchandising contained in the 5bn expected for 1987

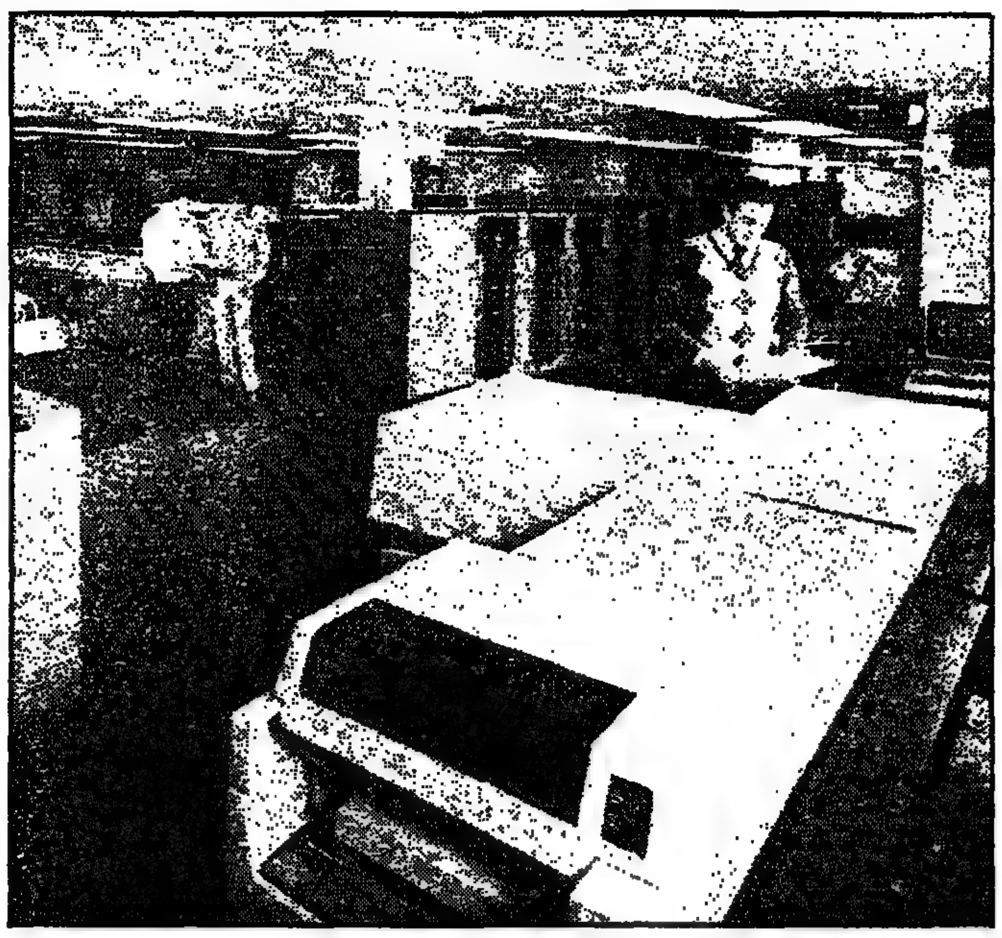
Frank Lipsius

Growth of nonstore retailing

($bn)	1980	1981	1982	1983	1984	1985	1986
VENDING SALES							
Trade reported	13.86	14.60	14.30	14.86	16.64	17.55	N/A
PERSONAL SELLING							
Trade reported	7.5	7.5	9.0	8.5	8.5	8.4	N/A
CATALOGUE/DIRECT ADVERTISING							
Trade reported	28.8	31.6	34.1	37.4	41.4	45.0	50.0

Sources: US Bureau of the Census, Vending Times, Fact Sheet: Direct Selling Association, Mail order data: Maxwell Sroge Publishing

The Mailbrain software produced by Computer Factors based in Coventry covers a range of activities for mail order companies enabling them to process high volume data and store address lists and keep control of stocks. Left, Prime Minister Margaret Thatcher switches on a Mailbrain mail order system for Scotland Direct at Biggar, Strathclyde



Valdata (right) in Melksham, Wiltshire, is a service organisation used by large organisations such as the Trustee Savings Bank, British Gas and British Telecom for data compilation

Printing technology

Specialists open new vistas

ADVANCES IN printing technology over the past five years have opened up new opportunites in direct marketing. This has been demonstrated by the burgeoning of personalised mailing because of both high and low cost printing systems incorporating new technologies such as ink jet, laser and thermal printing which offer high quality reproduction.

The arrival of low cost personal and office computer systems, including word processors, which allow even the smallest companies to automate more efficiently accounts and mailing lists, has been another important factor. In the past year or so computer companies such as Amstrad have launched models compatible with the market leader, IBM, for less than £1,000 and there is a wealth of computer software covering business, accounting and printing which is ideal for direct marketing applications.

One example of software developed specifically for direct marketing is Mailbrain produced by Computer Factors based in Coventry. Now capable of running on IBM personal computer range the Mailbrain software covers a range of activities from enabling mail order companies to process high volume data, store address lists, keep control of stocks and take care of accounting and invoicing needs.

The Datema group based in Sweden is another company in this field. It is a specialist in database technology which is simply a way of organising the storage and retrieval of information as well as providing more traditional support services for direct mail.

Companies such as Datema and Valldata are service organisations offering companies without the necessary computer resources facilities for compiling up to date lists which can be used for more efficient targeting of direct mail.

Valldata, based at Melksham in Wiltshire, for example, has been used by large organisations such as the Trustees Savings Bank, British Gas and British Telecom for data compilations.

Contract printing and design of mail is also a large part of the business offered by such companies. However, the price of printing systems has dropped radically and in the US for example, personal computer base printing systems have become a strong growth market with many software companies providing the programmes necessary to produce high quality printing and graphics under computer control.

Large personal computer companies such as Apple lead the field in this respect competing with more traditional printing companies like Gestener.

Such software has brought the flexibilty to companies to design attractive market material at a price many small concerns can afford. Coupled with the improvement in overall graphics and outlay of direct marketing information is the ability to personalise that information to customers.

So direct marketing is indebted greatly to developments in personal computing of which one of the important is the arrival of new printing technologies in a low cost form. Originally technologies such as dot matrix and daisy wheel printing dominated printing applications which were linked to computers.

Dot matrix, where tiny pins activated by computer control strike the paper to form individual characters, is a technology which is more than 20 years old. During that time it has been refined and is a very low cost technology which is attractive to small companies. Prices for printers can vary between about £100 and £2,000.

More attractive, high quality printing is offered by the daisy wheel printer — still electromechanical in design. It has become popular in the office world for connection to word processors where typewriter quality is needed.

The daisy wheel is an interchangeable plastic disc an inch or two in diameter with radiating spokes each carrying a single embossed character. The wheel rotates to the required character position where a hammer strikes it on to the ribbon and the paper.

Daisy wheel printers are inexpensive ranging from about £500 to £2,000 but rather slow in operation ranging in printing speeds from below 20 to more than 50 characters a second.

The newer technologies offer the hope of matching low price with speed. In Japan alone more than 20 companies have developed or are developing low cost laser printers. Leading the field is Canon with a laser mechanism which is used by several companies bringing the cost of a printer to well below the £5,000 mark.

Laser printers pioneered by Rank Xerox for the high throughput end of the market and by Canon for the low cost sector are more flexible systems. They have many features ideal for the direct marketing business such as fast printing speed, fount versatility, quality printing and graphics capability. Indeed specialist printers such as Laser Impressions, based at Stockport, Cheshire, find that having such advanced equipment is a vital selling point.

Larger machines tend to use a single laser beam which "writes" by reflection from moving mirrors under computer control. The lower cost models use a printing head made from lines of light emitting diodes. These are very small lamps that can be switched on and off at very high speed.

For printing the head moves across a page wide photosensitive drum which becomes electrically charged with character shapes. Black toner, as found in conventional photocopiers, are attracted to the charged areas and is transferred to paper which is then heat treated to fix the toner premanently to it.

Ink jet printers are also becoming important. Here, very small droplets of ink are guided by an electric field so that they strike the paper precisely to form characters. Such machines can produce letter quality printing, do graphics and are insensitive to paper quality. Such printers are capable of more than 100 characters per second. Companies such as Hewlett Packard and Siemens are leaders in this field.

Thermal printing technology is another option in the low cost market and machines have already been developed for the home computer market costing less then £150. Here a hot stylus "writes" on the surface of special heat sensitive paper. Epson in Japan, for example, produced a printer costing around £150 for the home computer market which can work at about 50 characters a second while IBM has an interesting development using a resistive ribbon which need no special paper.

Even liquid crystal technology which has become so popular for the clocks and watches have a role in printing. Casio and Epson both have systems in which fast switching crystals are used to shut light on and off to form characters on a conventional electrostatic toner drum, as in photocopiers. Companies believe that there are exciting opportunities for this technology in low cost printing.

Elaine Williams

COMMERCIAL LAW REPORTS

Container claim against arrested ship set aside

THE RIVER RIMA

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Nourse and Lord Justice Woolf): May 1, 1987

CONTAINERS LEASED to a shipowner to enable him to provide a service for cargo-owners are not supplied for the "operation" of a ship, and accordingly the Admiralty had no jurisdiction to hear a claim in rem against the ship in respect of conversion of the containers or breach of an obligation to maintain them in good repair.

The Court of Appeal so held when allowing an appeal by defendant shipowner, Nigerian National Shipping Line ("NNSL"), from Mr Justice Sheen's decision dismissing its application to set aside a writ *in rem* issued against its ship, River Rima, by Tiphook Container Rental Co Ltd, and to discharge her from arrest.

SIR JOHN DONALDSON MR said that the River Rima was a Nigerian vessel owned by NNSL. She was equipped to carry containers and cargo.

Since August 1986 she had been under arrest at Liverpool. The arrest was instigated by Tiphook who, on March 9 1987, issued a writ *in rem* claiming damages for conversion of containers leased to NNSL and for breach of an obligation to maintain the containers in good condition and repair.

The issue in the appeal was whether those claims could be maintained in an action *in rem*. That jurisdiction of Admiralty Court was governed by sections 20 and 21 of the Supreme Court Act 1981. Section 20(2) contained a list of claims, most of which could found an action *in rem*.

It included in paragraph (m) "any claim in respect of goods or materials supplied to a ship for her operation or maintenance."

NNSL had a number of contracts whereby it leased containers from their owners, including one with Tiphook. It specified daily rates of hire together with handling and other charges. It also specified various depots throughout the world at which containers could be picked up and re-delivered.

When containers were required, NNSL contacted its container leasing agents who arranged for the containers to be leased and to be delivered to the location where they were required, normally direct to the shippers.

They would be carried by an NNSL vessel if one was available. If none was available, they would be carried on any other available vessel, with NNSL named as shipper on the bill of lading.

Mr Justice Sheen held that paragraph section 20(2)(m) gave the court jurisdiction to hear an action *in rem* the containers being "goods . . . supplied to a ship for her operation."

In reply to the argument that operation of a ship involved only moving the ship from port to port, he said that "for her operation" could not be construed so narrowly.

He said that NNSL hired containers solely for the purpose of increasing its profit, and the operation of a ship must be viewed as a complete commercial operation. Accordingly, containers leased to ship owners were goods supplied for the operation of their ships.

The judge dismissed an application for the writ to be set aside and for the arrest of the vessel to be discharged. NNSL appealed.

There were two inter-related obstacles in the way of Tiphook. The first arose under paragraph (m), and the second under section 21(4) of the Supreme Court Act.

Subsection (4) provided that in the case of a claim under section 20(2) (e) to (r), "where —(a) *the claim arises in connection* with a ship; and (b) the person who would be liable on the claim . . . was, when the cause of action arose, the owner or charterer of, or in possession or in control of, the ship, an action *in rem* may be brought . . ."

Tiphook had to bring itself within section 21(4). Under paragraph (a), the question was, in connection with what ship did the claim arise? The answer must be "ships in the ownership of NNSL or other ships by which the containers were to be carried under bills of lading naming NNSL as shippers."

Under paragraph (b) the question was whether NNSL was, when the cause of action arose, the owner or charterer, or in possession or control of that ship, the answer was "probably, but not necessarily."

That answer was insufficient to justify the application of section 21(4) without which the issue of a writ *in rem* and the consequential arrest could not be upheld.

A further obstacle arose from paragraph (m) viewed in isolation, namely the construction of "supplied to a ship for her operation."

It did not have to be shown that the containers were leased to NNSL for the operation of the ship. In a broad sense that was no doubt true.As Mr Justice Sheen pointed out, containerisation was encouraged by shipowners because it made cargo-handling easier and quicker, and in some circumstances increased the cargo-carrying capacity of the ship.

But it would equally, and more cogently, be said that the purpose of supplying containers was to meet the convenience of shippers by providing them with ready made packaging for their goods, something which had nothing to do with the operation of the ship.

So viewed, paragraph (h) of section 20(2) became much more relevant than paragraph *(m)*.

Paragraph (h) specified as a claim which might found an action *in rem* "any claim arising out of any agreement relating to the carriage of goods in a ship. . . ."

The containers were leased by NNSL in relation to the carriage of goods in a ship.

In *Gatoil v Arkwright-Boston [1985] AC 255* the House of Lords held that the agreement sued upon must have a reasonably direct connection with the carriage of goods in a ship, and that a contract of insurance of cargo was not connected with the carriage of goods in a ship in sufficiently direct sense to be capable of falling within paragraph (h).

Consistently with that strict approach, the present leasing agreement between Tiphook and NNSL, while no doubt designed to enable NNSL to provide a service for cargo-owners, to encourage the routing of cargo via NNSL, and to enable NNSL to handle cargo more easily when it was the carrier, was not sufficiently directly connected with the operation of ships to enable the court to say that the containers were supplied "for the operation of a ship or ships."

The appeal was allowed. The writ was set aside and the vessel discharged from arrest.

Lord Justice Nourse and Lord Justice Woolf agreed.

For Tiphook: Jonathan Sumption QC and Mark Hopgood (Allen & Overy)

For NNSL: Richard Aitkens QC and Lionel Persey (Hill Dickinson & Co)

By Rachel Davies
Barrister

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Trade fears hit dollar

THE DOLLAR fell in Europe and New York yesterday after last week's talks between President Reagan and Mr Yasuhiro Nakasone, the Japanese Prime Minister, failed to end fears of a trade war. Mr Bruce Smart, US Commerce Under-Secretary, described Mr Nakasone's visit to Washington as a disappointment.

At noon in New York the dollar had fallen to Y138.95, from Y140.10 at Friday's close; to DM1.7735 from DM1.7760; and to SFr1.4510 from SFr1.4525. Sterling rose to $1.6810 from $1.6735.

Dealers suspected the Federal Reserve sold sterling and Canadian dollars during the morning, but probably not the yen or D-Mark.

Trading was quiet in Europe, with London and Tokyo closed for national holidays, but the dollar's tone was very weak, with sterling rising to $1.6765 at the Frankfurt close, from $1.6605 in London on Friday, but easing to DM2.9825 from DM2.9850. The dollar fell to Y139.40 in Frankfurt from Y140.60 at Friday's London close.

The West German Bundesbank may have given support to the dollar with small-scale buying in the Far East and Frankfurt, but the US currency closed in Frankfurt at DM1.7770, compared with DM1.7935 on Thursday, before the May Day long weekend, and DM1.7980 in London on Friday. The Bundesbank did not intervene when the dollar was fixed at DM1.7786 in Frankfurt compared with DM1.7864 on Thursday.

The strength of the D-Mark led to intervention by other Continental central banks, on fears there could be a renewed build-up of pressure on the European Monetary System.

In Paris there were reports the Bank of France sold D-Marks ahead of the fixing, as the German currency surged to FFr3.3475. The D-Mark was later fixed at DM3.3422. Dealers detected no Bank of France intervention at the fixing against the D-Mark or the dollar, which fell to FFr5.9480, from FFr5.9850 on Thursday, and FFr6.00 at Friday's London close.

It was also suggested central banks in Belgium and Italy sold D-Marks in an attempt to slow the German currency's advance. In Milan the D-Mark was fixed at a record L715.95, compared with L715.55 on Thursday.

£ IN NEW YORK

May 1	Latest	Previous Close
£ Spot	1.6730-1.6740	1.6615-1.6625
1 month	0.36-0.34 pm	0.39-0.37 pm
3 months	0.82-0.79 pm	0.89-0.86 pm
12 months	1.80-1.70 pm	2.00-1.90 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1944	+1.59	+0.94	±1.5344
Danish Krone	7.85212	7.82366	−0.36	−1.01	±1.6404
German D-Mark	2.05853	2.07772	+0.93	+0.28	±1.0981
French Franc	6.90403	6.93833	+0.50	−0.15	±1.3674
Dutch Guilder	2.31943	2.34434	+1.07	+0.42	±1.5012
Irish Punt	0.768411	0.777586	+1.19	+0.54	±1.6684
Italian Lira	1483.58	1486.70	+0.21	+0.21	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

May 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6625-1.6725	1.6685-1.6695	0.35-0.32c pm	2.41	0.80-0.75 pm	1.86
Canada	2.2193-2.2378	2.2340-2.2350	0.29-0.19c pm	1.29	0.38-0.22 pm	0.54
Netherlands	3.35-3.36¼	3.35¼-3.36¼	1⅛-1⅛c pm	4.47	3⅝-3⅛ pm	3.87
Belgium	61.55-61.90	61.80-61.90	17-10c pm	2.62	38-27 pm	2.10
Denmark	11.16¾-11.23¾	11.18½-11.19½	⅛-1½ ore dis	−1.21	3-3¾ dis	−1.21
Ireland	1.1100-1.1175	1.1135-1.1145	0.10-0.21 p dis	−1.67	0.20-0.45 dis	−1.17
W. Germany	2.97-2.98¾	2.97-2.98	1½-1⅛pf pm	6.06	4⅛-3¾ pm	3.38
Portugal	230.39-232.41	230.95-231.95	60-140c dis	−5.18	277-409 dis	−5.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

May 1	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.336	0.561	1.	78.82	3.339	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.264	7.117	12.69	1000.	42.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.007	1.680	2.995	236.1	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.410	0.685	1.221	96.21	4.075	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.298	0.497	0.886	69.84	2.958	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.470	0.785	1.399	110.3	4.672	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.448	0.747	1.331	104.9	4.445	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.617	2.698	4.810	379.1	16.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6690	1.6657	1.6613	1.6563	1.6515
D-mark	2.9750	2.9613	2.9368	2.9017	2.8386
French Fr.	9.9325	9.9252	9.9179	9.9080	9.9027
Swiss Fr.	2.4375	2.4252	2.4057	2.3771	2.3232
Yen	234.50	233.39	231.42	228.72	223.63

MONEY MARKETS

Fed adds reserves

TRADING ON US credit markets was nervous yesterday, on fears yields will be forced up if Japanese investors are reluctant to buy bonds at this week's US Treasury auction. As expected the Federal Reserve added temporary reserves to the New York banking system, via three-day system repurchase agreements. At the time Federal funds were trading at 7 per cent.

Bankers Trust cut its broker loan rate to 8 per cent, and US Trust to 8¼ per cent. Both were previously 8¾ per cent.

In Paris the Bank of France left its money market intervention rate at 7¾ per cent when adding liquidity to the money market, through purchases of first category paper. The last change in the intervention rate was on March 9, when the rate was cut from 8 per cent. Call money in Paris eased slightly to 7$\frac{11}{16}$-7⅞ per cent yesterday from 7⅞-7$\frac{15}{16}$ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 1) 3 months U.S. dollars		6 months U.S. dollars	
bid 7$\frac{1}{16}$	offer 7$\frac{3}{16}$	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

MONEY RATES

NEW YORK (4 pm)

[illegible]

LONDON MONEY RATES

[illegible]

Treasury Bills (sell); one-month 9$\frac{5}{32}$ per cent; three-months 8⅞ per cent; Bank Bills (sell): one-month 9⅛ per cent; three months 8$\frac{13}{16}$ per cent; Treasury Bills; Average tender rate of discount 8.6988 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1987. Agreed rates for period May 26 to June 23, 1987, Scheme I: 11.29 p.c., Schemes II & III: 11.11 p.c. Reference rate for period April 1 to April 30, 1987, Scheme IV: 9.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from May 1, 1987: Bank Deposit Rates for sums at seven days' notice 3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one-month 8 per cent; one-three months 9⅛ per cent; three-six months 9⅛ per cent; six-nine months 9⅛ per cent; nine-12 months 9⅛ per cent; Under £100,000 8 per cent from April 28. Deposits held under Series 5 10⅛ per cent. Deposits withdrawn for cash 5 per cent.

LIFFE OPTIONS AND FUTURES

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
June	91.26	93.19	91.18	93.02
Sept.	90.27	92.20	90.20	92.03
Dec.	89.30	91.22	89.25	91.07
Mar.	89.03	90.28	89.02	90.13
June	88.10	90.04	88.09	89.22
Sept.	87.19	89.15	87.19	89.01
Dec.	86.30	88.27	86.30	88.13
Mar.	86.11	88.09	86.11	87.27
June	—	—	—	—
Sept.	85.10	87.08	85.10	86.26
Dec.	84.27	86.25	84.27	86.11

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev.
June	93.80	93.91	93.78	93.88
Sept.	93.36	93.46	93.35	93.45
Dec.	93.15	93.28	93.16	93.28
Mar.	92.95	93.13	92.95	93.12
June	92.83	92.91	92.90	92.98
Sept.	92.69	92.81	92.77	92.83
Dec.	92.54	—	92.61	92.67
Mar.	92.41	—	92.47	92.53

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
June	0.6898	0.6912	0.6834	0.6854
Sept.	0.6952	0.6968	0.6893	0.6910
Dec.	0.7020	0.7030	0.6964	0.6970
Mar.	0.7075	0.7050	0.7050	0.7025

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
June	0.7170	0.7184	0.7125	0.7156
Sept.	0.7231	0.7243	0.7188	0.7216
Dec.	0.7298	0.7305	0.7258	0.7281
Mar.	0.7371	—	0.7340	0.7351
June	0.7450	—	0.7420	0.7426

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Close	High	Low	Prev.
June	0.5658	0.5660	0.5605	0.5610
Sept.	0.5705	0.5706	0.5650	0.5656
Dec.	0.5756	0.5750	0.5726	0.5705
Mar.	0.5795	—	—	0.5745

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev.
June	92.52	92.61	92.50	92.61
Sept.	92.19	92.31	92.16	92.31
Dec.	91.99	92.11	91.96	92.12
Mar.	91.84	91.95	91.80	91.95
June	91.69	91.78	91.65	91.78
Sept.	91.54	91.61	91.48	91.61
Dec.	91.39	91.45	91.33	91.44
Mar.	91.25	91.29	91.18	91.28

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
June	289.90	290.75	287.00	289.45
Sept.	291.70	292.50	288.90	291.30
Dec.	293.40	294.20	290.70	293.10
Mar.	294.90	295.60	290.29	294.70

CURRENCY FUTURES

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 1, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	10.21
[illegible]	[illegible]	[illegible]
El Salvador	Colon	8.32
Equatorial Guinea	C.F.A. Franc	496.63
Ethiopia	Ethiopian Birr	3.44
Falkland Islands	Falkland Isles £	1.0
Faroe Islands	Danish Kroner	11.19
Fiji Islands	Fiji $	1.7822
Finland	Markka	7.2550
France	Franc	9.9325
French C'ty in Africa	C.F.A. Franc	496.63
French Guiana	Local Franc	9.9325
French Pacific Islands	C.F.P. Franc	173.0
Gabon	C.F.A. Franc	496.63
Gambia	Dalasi	11.00
Germany (East)	Ostmark	2.9750
Germany (West)	Deutsche Mark	2.9750
Ghana	Cedi	262.86
Gibraltar	Gibraltar £	1.0
[illegible]	[illegible]	[illegible]
Mongolia	Tugrik	5.6003
Montserrat	E. Caribbean $	4.51
Morocco	Dirham	13.55 (sg)
Mozambique	Metical	(A) 337.34
Namibia	S.A. Rand	3.3420
Nauru Islands	Australian $	2.3740
Nepal	Nepalese Rupee	35.738
Netherlands	Guilder	3.3575
Netherland Antilles	Antillian Guilder	3.0042
New Zealand	N.Z. $	2.8982
Nicaragua	Cordoba	3660.80
Niger Republic	C.F.A. Franc	496.63
Nigeria	Naira	6.3600
Norway	Norwegian Krone	11.1550
Oman Sultanate of	Rial Omani	0.6400
Pakistan	Pakistan Rupee	28.55
Panama	Balboa	1.6690
Papua New Guinea	Kina	1.5059
[illegible]	[illegible]	[illegible]
USSR	Rouble	1.0419
Vanuatu	Vatu	175.90
Vatican	Italian Lira	2126
Venezuela	Bolivar	(4) 7.18 (5) 12.52 (6) 39.67
Vietnam	Dong	(o) 133.60
Virgin Islands U.S.	U.S. $	1.6690
Western Samoa	Tala	(A) 3.48
Yemen (North)	Ryal	(A) 17.05 (sg)
Yemen (South)	S. Yemen Dinar	0.5728
Yugoslavia	New Y Dinar	966.83
Zaire Republic	Zaire	173.2394
Zambia	Kwacha	34.10
Zimbabwe	Zimbabwe $	2.7150

‡Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar N/A. (16) Bolivia, New Currency introduced (Boliviano, worth 1m Pesos) Jan 1 1987. Correction April 27, Canada $2.2315.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

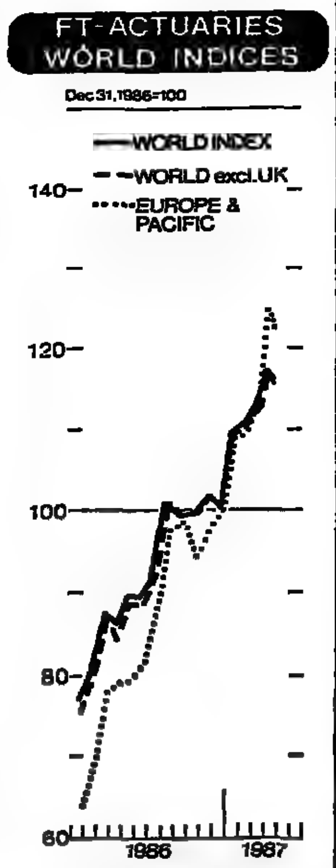
Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 4 1987					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	1987 High	1987 Low	Year ago (approx)
Australia (94)	128.58	+0.9	114.21	121.65	2.87	134.48	99.92	95.90
Austria (16)	91.53	+0.0	81.31	85.32	2.18	101.62	91.10	89.52
Belgium (47)	120.68	-0.5	107.20	111.16	4.28	122.35	96.19	81.13
Canada (131)	126.33	+0.6	112.22	122.35	2.35	136.17	100.00	99.93
Denmark (39)	115.44	+0.0	102.54	105.27	2.40	124.10	98.18	104.63
France (122)	120.54	-0.3	107.08	112.50	2.41	121.08	98.39	91.86
West Germany (90)	93.91	-0.5	83.42	86.88	2.14	100.33	84.00	89.56
Hong Kong (45)	102.76	+0.4	91.28	103.01	3.19	114.71	96.89	74.72
Ireland (14)	124.97	+0.0	111.01	117.78	3.62	131.44	99.50	92.93
Italy (76)	111.99	-0.1	99.48	106.55	1.53	112.11	94.76	94.12
Japan (458)	156.30	+1.1	138.84	138.72	0.48	157.78	100.00	73.19
Malaysia (36)	151.13	-0.1	134.25	144.05	2.66	155.25	98.24	68.01
Mexico (14)	180.98	+0.0	160.76	234.87	0.91	180.98	99.72	51.80
Netherland (38)	113.66	-0.7	100.97	104.35	4.25	118.24	99.65	86.05
New Zealand (27)	94.39	-0.2	83.85	87.02	3.11	100.59	83.93	69.98
Norway (24)	131.02	-2.7	116.39	118.84	2.12	139.79	100.00	98.37
Singapore (27)	126.05	+0.5	111.97	123.32	1.91	127.09	99.29	57.65
South Africa (61)	175.43	-0.9	155.83	118.01	3.37	186.74	100.00	93.08
Spain (43)	110.75	-1.4	98.38	105.33	3.63	121.31	100.00	87.30
Sweden (33)	121.98	-0.7	108.35	113.04	2.04	123.51	90.85	86.60
Switzerland (51)	98.69	+0.3	87.66	89.33	1.92	104.06	93.26	83.86
United Kingdom (340)	137.81	+0.0	122.42	122.42	3.38	137.81	99.65	101.51
USA (597)	118.59	+0.4	105.34	118.59	3.06	124.06	100.00	99.83
Europe (933)	118.80	-0.2	105.53	108.16	2.89	119.06	99.78	94.00
Pacific Basin (687)	153.30	+1.1	136.18	136.81	0.62	154.75	100.00	73.96
Euro-Pacific (1620)	139.54	+0.6	123.95	125.40	1.39	140.00	100.00	81.86
North America (728)	118.99	+0.4	105.70	118.81	3.02	124.60	100.00	99.80
World Ex. US (1826)	139.48	+0.6	123.90	128.76	1.45	139.87	100.00	82.56
World Ex. UK (2083)	130.68	+0.6	116.08	123.04	1.87	131.27	100.00	88.19
World Ex. So. Af. (2362)	131.02	+0.5	116.39	122.97	2.00	131.02	100.00	89.29
World Ex. Japan (1965)	119.43	+0.2	106.09	115.07	2.97	121.08	100.00	97.03
The World Index (2423)	131.31	+0.5	116.64	122.96	2.02	131.31	100.00	89.32

Base values: Dec 31, 1986 = 100

CONSTITUENT CHANGES. Superdrug Stores and Imperial Continental Gas Assoc. (United Kingdom), were deleted.

Latest prices unavailable for this edition.



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$400	53	60	—	—	—	—	$458.25
GOLD C	$420	61	40	8	51.50	—	—	"
GOLD C	$440	20	22	19	37	92	50	"
GOLD C	$460	399	9.50	70	29.40A	29	40.50	"
GOLD C	$480	68	3.20	30	21.50	15	32.50	"
GOLD C	$500	137	2	21	14	8	24B	"
GOLD P	$370	—	—	20	0.70	—	—	"
GOLD P	$390	—	—	—	—	100	4.50	"
GOLD P	$400	—	—	50	4	—	—	"
GOLD P	$420	—	—	161	7.50	20	12	"
GOLD P	$440	30	3	20	13.50	—	—	"
GOLD P	$460	—	—	20	23.20A	—	—	"
		Jun 87 Vol.	**Jun 87 Last**	**Sep 87 Vol.**	**Sep 87 Last**	**Dec 87 Vol.**	**Dec 87 Last**	
SILVER C	$800	10	110	—	—	15	175A	$829
SILVER C	$850	—	—	16	125	11	150	"
SILVER C	$1000	29	50	92	80	50	100	"
£/Fl C	Fl.325	250	11	250	11.90	—	—	Fl.336.15
		May 87 Vol.	**May 87 Last**	**Jun 87 Vol.**	**Jun 87 Last**	**Jul 87 Vol.**	**Jul 87 Last**	
$/Fl C	Fl.200	24	2.10	221	3.40	—	—	Fl.200.45
$/Fl C	Fl.205	—	—	124	2	—	—	"
$/Fl C	Fl.210	60	0.10	57	0.50	50	1.10	"
$/Fl P	Fl.195	—	—	186	1.50B	—	—	"
$/Fl P	Fl.200	392	1.60	175	3.50	8	4.50	"
$/Fl P	Fl.205	118	4.70	82	6	—	—	"
		Sep 87 Vol.	**Sep 87 Last**	**Dec 87 Vol.**	**Dec 87 Last**	**Mar 88 Vol.**	**Mar 88 Last**	
$/Fl C	Fl.190	52	11.80	15	12.20	—	—	Fl.200.45
$/Fl C	Fl.200	81	5.60B	68	6.80	9	7.50	"
$/Fl C	Fl.205	58	3.60	30	4.80	16	6	"
$/Fl C	Fl.210	10	2.20	—	—	—	—	"
$/Fl C	Fl.215	39	1.40	—	—	—	—	"
$/Fl C	Fl.220	—	—	64	1.50	—	—	"
$/Fl P	Fl.190	—	—	175	4	10	5	"
$/Fl P	Fl.195	8	3.80A	—	—	—	—	"
$/Fl P	Fl.200	7	6	—	—	—	—	"
$/Fl P	Fl.205	95	9.50	—	—	—	—	"
		July 87 Vol.	**July 87 Last**	**Oct 87 Vol.**	**Oct 87 Last**	**Jan 88 Vol.**	**Jan 88 Last**	
ABN C	Fl.520	372	9.50	32	18	—	—	Fl.489
ABN P	Fl.460	117	4.20	7	12.50A	—	—	"
AEGON C	Fl.95	444	2	6	4.50	1	5	Fl.89.90
AEGON P	Fl.90	32	4.50	—	—	—	—	"
AHOLD C	Fl.105	50	7	3	9	—	—	Fl.107.50
AHOLD P	Fl.105	33	3	—	—	—	—	"
AKZO C	Fl.130	392	5	17	8.30B	2	11	Fl.127.50
AKZO P	Fl.130	486	5.60B	55	7.50	50	8.70	"
AMEV C	Fl.60	23	4	6	5.10	—	—	Fl.61.10
AMEV P	Fl.60	33	2.70B	23	4.20	10	5	"
AMRO C	Fl.85	253	1.40	35	2.70	30	3.40	Fl.76.20
AMRO P	Fl.75	118	2.50	62	4.40	9	5.50	"
ELSEVIER C	Fl.50	119	2.80	17	4.60	—	—	Fl.50.70
ELSEVIER P	Fl.50	59	2	40	3	—	—	"
GIST-BROC C	Fl.45	134	1.70	37	3	—	—	Fl.44.40
GIST-BROC P	Fl.45	117	3.30	205	4	27	5	"
HEINEKEN C	Fl.190	54	2.70B	15	4.50	—	—	Fl.177.50
HEINEKEN P	Fl.180	51	7	—	—	—	—	"
HOOGOVENS C	Fl.40	194	2	61	3.20	50	4.50	Fl.39
HOOGOVENS P	Fl.3	125	1.60	105	2.50	—	—	"
KLM C	Fl.45	166	1.20	76	2.10	—	—	Fl.41.50
KLM P	Fl.45	—	—	3	6.30	34	6.20	"
NED. LLOYD C	Fl.140	150	5	19	7.50	3	10	Fl.141
NED. LLOYD P	Fl.150	76	16.30	18	19A	5	24	"
NAT. NED. C	Fl.75	468	1.60	130	3.20	—	—	Fl.70.30
NAT. NED. P	Fl.70	163	3.30	93	4.50	14	5.70	"
PHILIPS C	Fl.50	1161	1.70	495	3	738	48	Fl.47.10
PHILIPS P	Fl.45	1095	1.20B	996	2.30	17	2.80	"
ROYAL DUTCH C	Fl.240	664	5.80	227	8.30	13	12	Fl.241.40
ROYAL DUTCH P	Fl.230	364	5.10	36	7.70	4	9	"
UNILEVER C	Fl.600	404	12.50	87	22	—	30	Fl.577.50
UNILEVER P	Fl.560	67	14	2	18	—	—	"

TOTAL VOLUME IN CONTRACTS: 29,065
TOTAL OPEN INTEREST IN CONTRACTS AT OPENING: 948,035

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	9½	● Morgan Grenfell	9½
Adam & Company	9½	Citibank NA	9½	Mat Credit Corp. Ltd.	10
Allied Arab Bk Ltd	9½	Citibank Savings	¶12.45	Nat Bk. of Kuwait	9½
Allied Dunbar & Co.	9½	City Merchants Bank	9½	National Girobank	10
Allied Irish Bank	9½	Clydesdale Bank	9½	Nat Westminster	9½
American Exp. Bk	9½	Comm. Bk. N. East	9½	Northern Bank Ltd.	9½
Amro Bank	9½	Consolidated Cred	9½	† Norwich Gen. Trust	9½
Henry Ansbacher	10	★ Co-operative Bank	9½	PK Finans. Intl (UK)	10
ANZ Banking Group	9½	Cyprus Popular Bk	9½	Provincial Trust Ltd	11
Associates Cap Corp	11	Duncan Lawrie	9½	R. Raphael & Sons	9½
Authority & Co Ltd	10	E.T. Trust	11	Roxburghe G'rantee	10½
Banco de Bilbao	9½	Equat'l Tst C'p plc	10	Royal Bk of Scotland	9½
Bank Hapoalim	9½	Exeter Trust Ltd.	10	Royal Trust Bank	9½
Bank Leumi (UK)	9½	Financial & Gen. Sec.	9½	Smith & Williamson Secs.	9½
Bank Credit & Comm	9½	First Nat. Fin. Corp	10½	Standard Chartered	9½
Bank of Cyprus	9½	First Nat. Sec. Ltd.	10½	Trustee Savings Bank	9½
Bank of Ireland	9½	● Robert Fleming & Co.	9½	UDT Mortgage Exp.	¶11.1
Bank of India	9½	Robert Fraser & Ptrs.	10½	United Bk of Kuwait	9½
Bank of Scotland	9½	Grindlays Bank	‡9½	United Mizrahi Bank	9½
Banque Belge Ltd.	9½	● Guinness Mahon	9½	Unity Trust PLC	9½
Barclays Bank	9½	HFC Trust & Savings	9½	Westpac B'nking Corp	9½
Benchmark Tst Ltd.	9½	● Hambros Bank	9½	Whiteaway Laidlaw	10
Beneficial Trust Ltd	11	Heritable & Gen. Tst.	9½	Yorkshire Bank	9½
Berliner Bank AG	9½	● Hill Samuel	§9½		
Brit Bk of Mid East	9½	C. Hoare & Co.	9½		
● Brown Shipley	9½	Hongkong & Shangh'	9½		
Business Mtge Tst	10	Lloyds Bank	9½		
CL Bank Nederland	9½	Mase Westpac Ltd.	9½		
Canada Permanent	9½	Meghraj & Sons Ltd	9½		
Cayzer Ltd.	9½	Midland Bank	9½		

● Members of the Accepting Houses Committee. ★ 7-day deposits 4.65%. Savewise 7.64%. *Top Tier*—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 4.65%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§150	F.P.	15/4	180	160	Admiral Comp'ting 5p	171	+1	u2.13	3.6	1.7	22.2
§180	F.P.	15/5	201	189	Airtours 10p	200	−1	R5.4	2.5	3.7	14.6
§115	F.P.	20/5	138	128	Bellwinch 10p	133	+3	R3.2	3.7	3.2	11.1
§115	F.P.	8/5	143	133	Brooks Service Group	143	+5	L3.8	2.2	3.5	15.6
§80	F.P.	8/5	183	150	‡Burford Group	183	+3	u1.2	3.2	0.90	47.1
"	F.P.	—	423	400	Calor Group 50p	408	......	u12.0	2.6	4.0	13.0
130	F.P.	8/5	135	129	Cambridge Instru. 5p	130	......	R0.7	8.8	0.7	14.8
§55	F.P.	—	98	68	‡Cambridge Isotope Ic	85	−11	R20.9	—	0.65	—
§200	F.P.	13/5	226	211	‡Castle Comms. 5p	211	......	R7.0	2.2	3.1	14.05
115	F.P.	—	120	117	Church (Charles) 5p	117	−2½	R2.75	3.10	3.1	14.2
"	F.P.	—	310	293	Contibel 50p	297	......	u8.0	1.6	3.7	22.4
§130	F.P.	22/5	153	145	Cooper (Alan) 10p	148	......	L4.0	2.5	3.6	15.1
§125	F.P.	29/5	153	143	Cordell Group 10p	148	......	W3.19	3.1	2.9	15.2
§135	F.P.	—	166	138	Doeflex 10p	165	......	L3.45	2.50	2.9	19.0
§155	F.P.	15/5	195	170	‡Epwin Group 10p	191	+1	L4.0	2.6	2.8	18.6
§120	F.P.	29/5	181	160	‡Fablax 5p	170	......	u2.7	2.8	2.1	22.8
§125	F.P.	—	137	128	‡Forward Group 5p	131	−1	u2.2	3.2	0.2	17.7
§112	F.P.	1/5	135	115	‡HoneysuckleGr'p2p	115	......	R4.1	2.5	4.9	11.2
§120	F.P.	24/4	211	185	Malletl 5p	190	+2	u3.0	3.1	2.2	20.2
§120	F.P.	29/5	127	123	‡March Group 5p	125	......	L4.2	2.4	4.5	12.4
§114	F.P.	8/5	127	114	Melville Streetinv.	123	......	1.4	1.2	1.5	—
—	—	—	35½	25	Do. Warrants	34½	−½	—	—	—	—
225	F.P.	24/4	342	225	MercuryAssetMgmt.5p	325	+2	R5.0	4.0	2.1	16.2
§106	F.P.	—	120	113	‡Orchid Technology	120	+3	R02.57c	5.2	1.4	13.6
§180	F.P.	1/5	198	180	Perpetual 10p	198	+1	u2.5	4.5	1.7	17.0
§95	F.P.	10/4	102	96	RCO 10p	97	+1	L3.91	2.1	5.5	11.8
§55	F.P.	3/6	84	64	‡RKF Group 10p	84	+7	u2.19	2.4	3.6	14.5
§140	F.P.	1/5	181	163	‡RelianceSecGroup5p	166	......	b4.5	2.5	3.7	14.9
§135	F.P.	—	193	163	‡Select Appts. 1p	193	......	L2.5	2.8	1.8	27.6
§125	F.P.	—	165	161	‡UCL Group 5p	161	......	u2.5	2.8	2.1	22.7
§140	F.P.	15/5	183	171	Waterglade Intl. 5p	181	......	R3.25	3.5	2.4	14.9
130	F.P.	16/3	146	134½	Wilson Bowden 10p	144	......	L3.4	3.0	3.2	14.1
§120	F.P.	29/4	194	145	‡Wyevale Gdn. Cen. 50p	194	......	b2.63	2.8	1.8	26.3
§133	F.P.	22/5	148	136	YRM 10p	136	......	R4.41	3.5	2.3	15.9

FIXED INTEREST STOCKS

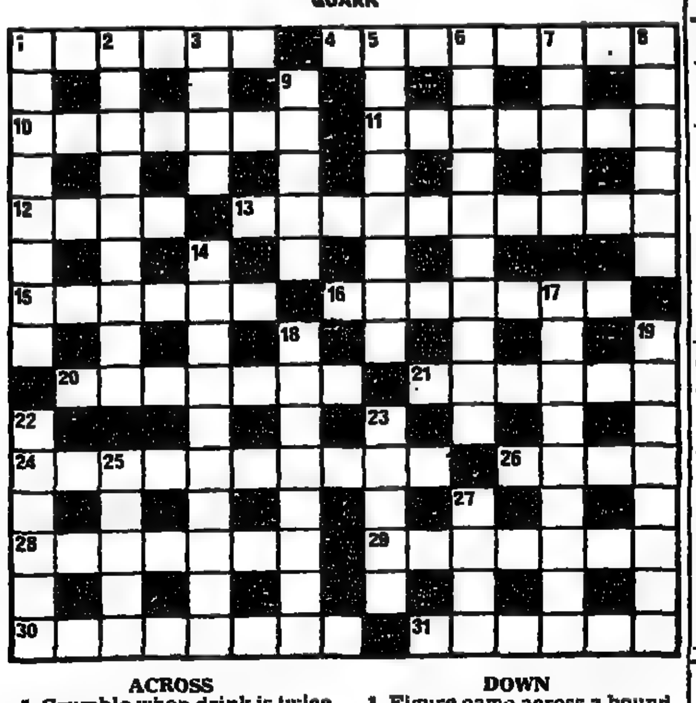
Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
§98.919	F.P.	29/5	101	95	Asda Prop. 10⅛% 1st Mort.Deb. 2011	99	......
"	£30	3/6	49	38	DixonsGrpNon-int-brng.Cv.Un.Ln(£1)	42	−½
—	F.P.	—	132p	112p	*Heywood Williams Cum. Cnv. Red. Prf*	132p	+1
§100.156	£30	13/8	30⅝	30¼	Land Securities New 10% 1st Mt Db '25	30¼	......
—	F.P.	—	100¼	100	Nationwide 9⅞% Bds. 11/4/88	100¼	+⅛
—	F.P.	—	101½	100	Do. 3⅞% I-L Ln 2021	101	......
—	F.P.	—	100⅛	100⅛	Do. 9⅞% Bds. 3/5/88	100⅛	+⅛
"	F.P.	30/6	101½pm	99pm	Second Mkt. Inv. 2½% Cnv Uns Ln '94	99pm	......
§98.819	£20	11/9	24⅛	18⅞	TR City of Lon. Tst. 10¼% Deb 2020	22⅞	+⅛
8.25	Nil	—	90pm	75pm	Tops Est. 'New' 7½% Cnv. Uns. Ln. 2014	90pm	+18
§99.016	£25	29/5	27⅞	25¼	Town Centre Secs. 10½% 1st Mort.Deb.2021	27⅞	......
—	£30	9/10	31⅛	30	Tribune Inv. Tst. 9¼% Deb 2012	31⅛	......
§98.09	£25	1/9	26⅛	25⅞	*Vaux 9⅞% Deb. 2015*	26⅛	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
11	Nil	26/6	10½pm	8pm	Astra Ind'l. 5p	10¼pm	+¼
320	Nil	—	120pm	90pm	Authority Invs. 20p	110pm	......
130	Nil	—	155pm	153pm	Brent Walker 10p	155pm	+2
170	Nil	—	20pm	3pm	Campari Intl. 20p	16pm	−4
75	Nil	—	40pm	8pm	Ferguson (J) 10p	25pm	......
80	Nil	29/5	36pm	21pm	Micro Business Systems 5p	35pm	......
5	Nil	22/5	40pm	23pm	‡New England Props. 5p	26pm	......
60	Nil	3/6	4½pm	1¼pm	Senior Eng. 10p	3½pm	......
385	Nil	8/6	95pm	90pm	Speyhawk	90pm	......
470	Nil	—	84pm	67pm	Vaux Group	67pm	−17
150	Nil	10/6	52pm	36pm	Walker (Alfred) 10p	49pm	+12
157	Nil	26/6	32pm	7pm	Weir Group	32pm	+6

F.T. CROSSWORD PUZZLE NO. 6,318

QUARK



ACROSS

1 Grumble when drink is twice sent back (6)
4 One in the light infantry such as R.E., being drilled (8)
10 Uttered nasal sound and played the guitar (7)
11 Try base out for a spar (7)
12 Head for first course? (4)
13 Inattentive idiot dashed round back of stage (5-5)
15 Broad picnic requirement? (6)
16 *The water channel is a complete failure (4-3)*
20 Tendered — for feed in mess (7)
21 Movement of clot by central heating (6)
24 Sudden inspiration or aberration (10)
26 Travelling bag. Don't lose it! (4)
28 Make cheerful even in learner in trouble (7)
29 Study the trip in outline (7)
30 Guards posted, that is, in the Royal Society (8)
31 Sort of swallow a drink, in *the main* (6)

DOWN

1 Figure came across a boundary, we hear (8)
2 Be 'ost with fare served out — a popular dish (5.4)
3 Press has sudden rush, losing heading (4)
5 Traditional standard (8)
6 The hooter? A bringer of bad news (7-3)
7 Take part, having chips without fish (5)
8 Stay at about the margin (6)
9 Upset churchman in drink (5)
14 *H.P.'s not repeated (5-5)*
17 The last is to make the longest speech (9)
18 Scene 10 upset. That's one judgment (8)
19 A hood is a sort of protector (8)
22 The sailor to live on the ship is superior (5)
23 Black foundation for a badger (5)
25 The kind of wrestling that's done for? (3-2)
27 Money for a lady (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

Bridge Fund Managers (a)(c)
20, Copthall Avenue, London, EC2R 7PA. 01-588 6064.

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth

F & C Unit Management
1 Laurence Pountney Hill, EC4R 0BA 01-623 4680

FS Investment Managers Ltd
190 West George St, Glasgow 041-332 6462

Henderson Administration (a)(b)(c)
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 217238

[illegible]

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	282 1	300 1	+1.6	4 80
(Accum Units)	348.9	371.1	+4.7	4 80
UK Growth	351 7	374.1	+2.5	2 43
(Accum Units)	373 6	397.4	+2.8	2 43

MLA Unit Trust Management
1 Seymour Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen Tr	47.8	44.3	+0.4	1.69
MLA Income Trust	46.5	48.8	+0.5	3.52
MLA Int	61.3	64.9	+0.9	0.81
MLA Gilt Unit Tst	25.8	26.5	—	9.81
MLA European Trust	34.8	36.8	—	0.67
MLA American Tst	26.6	28.1	—	0.89
MLA Emerging Mkt. Tst	23.9	25.3	—	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int	122.2	126.5	—	6.92
Growth Units	101.3	107.6	—	2.53
High Income Unit	142.7	151.5	—	3.90
High Yielding Gilt Uts	61.2	63.4	—	8.82
Intl Growth Unit Tst	151.6	161.1	—	0.19
UK Smaller Cos	113.0	120.1	—	1.55
North American	79.1	84.1	—	0.36
Far East	135.4	143.9	—	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income April 13	313.0	333.0	+18.3	3.75
General April 13	265.8	281.5	+14.9	1.57
International April 13	147.6	157.1	−7.8	0.67
Global Inc Fd April 13	48.0	51.1	−0.6	5.19

Medical Investments Limited

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	302.8	323.2	+1.2	0.97
Income	233 7	248 9	+1.5	3.60
Worldwide Recovery	167 7	179.0	—	—
American Growth	73.4	78.4	+0.6	0.90
Intl Emerging Cos	92.6	98 9	—	0.71
Far East Growth Fd	98.8	105.5	+0.4	0 76
European Growth Fd	65 4	69.8	−0.6	1.04

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	57.3	61.0	+0.3	1.86
Prolific C'vert & Gilt	119.9	127.0	+0.7	4.59
Prolific Euro Gth&Inc	50.9	54.2	−0.1	2.58
Prolific Extra Inc	119.5	127.2	+1.3	3.41
Prolific Far East	205.5	219.8	+1.2	—
Prolific High Inc	81.3	86.5	+0.9	3.17
Prolific Intl	185.7	199.1	+1.6	0.25
Prolific N. Amer.	127.2	136.1	+1.3	—
Prolific Spec. Sits	98.5	104.8	+1.3	0.76
Prolific Technology	141.2	151.1	+1.3	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	98.1	104.4	+1.5	—
Japan Acc	98.3	104.6	+1.5	—
Worldwide Inc	77.5	82.1	+0.5	1.09
Worldwide Acc	78.9	83.5	+0.4	2.09
European Tst Inc	94.8	100 9	+0.7	0.34
European Tst Acc	95.4	101.5	+0.4	0.34
North American Inc	62.3	66.3	+0.5	1.30
North American Acc	63.0	67.1	+0.5	1.30
UK Equity Inc	82.9	87.8	+0.8	1.88
UK Equity Acc	86.6	81.7	+0.8	1.88
UK High Inc Eqty Inc	61.1	64.7	+0.4	4.71
UK High Inc Eqty Acc	62.3	66.0	+0.5	4.71
Hong Kong Trust	44 4	47.0	+1.3	0.38
Swiss Equities Trust	45.1	47.8	+0.1	1.92

INSURANCES

Contd. on next Page

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.

Pensions Funds

American (Cap)	905.5	320.9	+4.2	—
American (Acc)	425.8	447.2	+5.9	—
Building Soc (Cap)	94.2	99.0	+0.1	—
Building Soc (Acc)	131.2	137.9		—
Deposit (Cap)	154.3	162.1		—
Deposit (Acc)	215.0	225.9		—
European (Cap)	139.8	146.9	-0.4	—
European (Acc)	194.9	204.7	-0.5	—
Equity (Cap)	405.0	426.0	+2.5	—
Equity (Acc)	564.9	593.2	+3.6	—
Gilt (Cap)	248.6	261.1	-0.3	—
Gilt (Acc)	346.4	363.8	-0.4	—
Gold (Cap)	110.5	116.1	+1.2	—
Gold (Acc)	154.0	161.8	+1.7	—
Index-Linked (Cap)	93.1	97.8		—
Index-Lnkd Gilt (Acc)	129.7	136.3		—
International (Cap)	107.9	113.4	+0.8	—
International (Acc)	150.4	158.0	+1.1	—
Intnl Inc (Cap)	104.1	109.4	+1.3	—
Intl Inc (Acc)	145.0	152.4	+1.8	—
Japan (Cap)	143.5	150.7	+1.2	—
Japan (Acc)	199.9	210.0	+1.7	—
Managed (Cap)	312.2	327.9	+1.7	—
Managed (Acc)	435.1	457.0	+2.5	—
PPP Fund (Cap)	298.0	313.0	+2.9	—
PPP Fund (Acc)	415.6	436.0	+3.5	—
Pacific (Cap)	253.9	266.7	+2.0	—
Pacific (Acc)	353.9	371.7	+2.9	—
Property (Cap)	132.1	138.9		—
Property (Acc)	184.2	193.5		—
Recovery (Cap)	197.8	207.8	+1.9	—
Recovery (Acc)	275.7	289.6	+2.7	—
UK Income (Cap)	112.8	118.5	+1.4	—
UK Income (Acc)	157.2	165.1	+1.9	—
Personal Pension (Acc)	1665.2	1665.2	+13.2	

MGM Assurance

MGM House, Heene Rd, Worthing 0903 204631

UK Equity	218.5	230.1	+1.5	—
Do. Accum	244.4	257.3	+1.7	—
Special Situations	199.5	210.1	+0.7	—

National Mutual Life

5 Bow Churchyard, London EC4M 9DH

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
1 Nov	1 May	Funding 6½pc 85-87	99	25 9	—	—
12Dec	12Jne	Treas. 10pc 1987	100	18.12	10.00	9.45
14Jan	14Jly	Treas 3pc 1987	99	8.12	3.02	7.13
3May	3Nov	Treas. 12pc 1987	101	29 9	11.81	8.50
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	99	22.12	7.79	8.44
10Nov	10May	Exch 10½pc '88	101	10	10.31	8.51
14Dec	14Jne	Treas 9¾pc Cv '88	101	18.12	9.64	8.58
1Jan	1Jul	Transport 3pc '78-88	96	25.11	3.12	6.50
25 Apr	25 Oct	Treas. 9½pc '88	101	18 9	9.39	8.59
22 Aug	22 Feb	Treas 11½pc 1989	104	16.1	10.99	8.64
18 Oct	18 Apr	Treas 9½pc Cnv 1989	101	11.9	9.36	8.63
15Nov	15May	Treas 3pc 1989	93	9.10	3.21	6.43
14Dec	14Jun	Treas 10½pc 1989	103	18.12	10.16	8.71
1Feb	1Aug	Exch. 10pc 1989	102	29.12	9.74	8.68
29 Mar	29 Sep	Exch 11pc 1989	104	26.8	10.49	8.68
15 Apr	15 Oct	Treas 5pc 1986-89	94	8 9	5.27	7.35
15 May	15 Nov	Exch 10½pcCv '89	106	9.10	9.84	7.42
15 Jul	15 Jan	Treas 13pc 1990‡‡	110	9.12	11.79	8.65
12 Aug	12 Feb	Exch 11pc 1990‡‡	105	6.1	10.42	8.68
22 Sep	22 Mar	Exch. 12½pc 1990	109	18.8	11.42	8.70
8 Nov	8 May	Treas 3pc 1990	90	2.10	3.32	6.57
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	99	18.12	8.31	8.53
25 Apr	25 Oct	Treas. 10pcCv 1990	103	18 9	9.64	8.72
22 May	22 Nov	Exch 2½pc 1990	87	16 10	2.85	6.40
10 July	10 Jan	Treas 11¾pc 1991	109	8.12	10.76	8.77
5Oct	5Apr	Funding 5¾pc '87-91‡‡	93	1.9	6.14	7.64
13 Nov	13 May	Treas. 3pc 1991	87	—	3.45	6.76
12Jan	12July	Treas 10pc Cv '91 ‡‡	108	8.12	9.22	7.59
25Apr	25Oct	Exch 11pc 1991	108	13 9	10.17	8.75

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Sara Lee $1	25⅝xd	24.12	$2.00	—	4.9
Mr Ju Se De	Saul (B. F.) $1	10⅛	7.4	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	64⅝	7.4	$6.96	—	6.6
—	Staley Continental	15⅛	—	80c	—	3.1
Mr Jn Se De	Sun Co. Inc. $1	36⅝xd	5.11	$3.00	—	5.0
Ma Ju Se Dec	TRW Inc. $1¼	62⅝xd	10.2	$3.20	—	3.3
Mr Jn Sp Dc	Tenneco $5	27⅛	4.11	$3.04	—	6.9
June Dec	Do. 10pcLn.Stk. 91-5	177½xd	24.11	10%	—	5.7
Mr Je Se De	Texaco $6.25	20⅝xd	31.7	$3.00	—	9.0
Mr Ju Se De	Time Inc. $1	52½	22.8	$1.00	—	1.2
Ja Ap Jy Oc	Tracor $0.33	12½	16.9	36c	—	1.8
Ja Ap Ju Oc	Transamerica $1	20⅛xd	31.3	$1.76	—	5.4
Fe My Au No	Transworld Corp $5	997p	11.11	20c	—	1.2
—	TRINOVA Corp.	37⅛	—	$1.00	—	1.6
Mr Je Se De	♥USX $1	27	30.10	$1.20	—	4.3
Ag Nv Fb Jn	Union Carbide $1	18⅛	4.11	$1.50	—	5.1
Mr Jn Sp Dc	Utd. Technologies	27⅞	16.2	$1.40	—	3.1
Fb My Ag No	US West	30⅛	13.4	$3.28	—	6.6
Mr Je Se De	♥Woolworth $3½	30⅝	19.11	$1.32	—	2.7

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	♥Abbot Energy Corp.	16p	—	—	—	—
—	♥Amer. Barrick Res.	19	—	—	—	—
—	Armeno	74p	—	—	—	—
Fb My Ag Nv	Bk. Montreal ‖	15⅛	24.11	$2.00	—	5.5
Ja Ap Jn Oc	Bk. Nova Scot.‖	842p	12.1	72c	—	3.7
Ap Jy Oc Ja	BCE ‖	18⅝	10.9	$2.40	—	5.6
May Nov.	♥Bow Valley‖	797p	15.12	10c	—	0.5
Ja Ap Jy Oc	♥Brascan‖	15⅛	28.10	88c	—	2.4
—	♥Breakwater Res.	460p	—	—	—	—
Fe My Au No	Can.Imp.Bk. $2	973pxd	30.3	$1.08	—	4.8
July Jan.	Can. Pacific ‖	10⅛	12.1	48c	—	1.9
July Jan	Do. 4pc Deb £100	42½	10.11	4%	—	9.4
Ja.Sp.Dec.Mar	♥Echo Bay Mines	24⅝	—	20c	—	0.4
—	Euro-Asia Capital Ltd.	130p	—	—	—	—
—	Global Data Systems	36p	—	—	—	—
—	♥Granges Explo‖	764p	—	—	—	—
—	♥Gt Pacific Res.	16p	—	—	—	—
Ja Ap Jy Oc	♥Gulf Canada‖	12⅛	26.3	52c	—	1.8
Ap Jy Dc Ja	♥Hawker Sid Can‖	12⅛	15.11	96c	—	3.4
—	Henlys Group	606p	—	—	—	—
Mr Je Sp Dc	Hudson's Bay ‖	11⅛	1.1	60c	—	2.3
Mr Je Se De	♥Imperial Oil‖	29	26.11	s$1.60	—	2.4
Jan.Ap.J.O.	Inco‖	977pxd	29.4	US$0.20	—	1.3
—	♥Intl. Corona Res.	20⅛	—	—	—	—
Fe My Au No	♥Inland Nat. Gas $1	629p	30.12	60c	—	4.1
—	♥Muscocho Expln.	286p	—	—	—	—
—	♥Ntnl Business Syst.‖	834p	—	—	—	—
June Dec	♥Rio Algom	10⅛	5.11	65c	—	2.8
Mr Je Se De	Royal Bk. Can. ‖	15⅛xd	21.4	$2.00	—	5.6
Se De Mr Je	Seagram‖	42⅛	14.2	US$1.00	—	1.4
F My Au No	Toronto-Dom. Bk.‖	12⅞	22.9	84c	—	2.8
Ja Ap Jy Oc	♥Trans Can Pipe	848p	1.12	$1.12	—	5.7
—	Varity Corp‖	130p	11.77	—	—	—

BANKS, HP & LEASING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb July	ANZ $A1	241	31.12	Q51c	2.4	5.5	7.7
Aug May	Algemene Fl.100	£148½	19.8	Q27%	♦	5.6	♦
Dec July	Allied Irish	263	24.11	[illegible]	3.6	5.6	8.2
June Dec	Anglio Irish	63	8.12	Q19.69%	1.4	7.0	15.0
—	Ansbacher (H.) 1p	84	23.3	2.0	—	3.3	—

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

حكمة امنة للأصل

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	PWS Holdings 10p	349	9.2	q9.25	2.9	4.1	11.5
—		Pearl Group 5p	360xd	27.4	10.5	—	4.0	—
Nov.	May	Prudential	875	6.4	29.0	—	4.5	—
Nov.	May	Refuge 5p	468	23.3	15.75	—	4.6	—
Jan.	May	Royal	874	23.3	31.0	—	4.9	—
April	Oct.	Sedgwick Group 10p	312	9.3	12.0	1.7	5.3	13.3
May	Nov	Steel Burrill J.10p	259	6.4	9.0	2.0	4.8	14.4
Nov.	July	Stewart Wr. 20p	433	29.9	15.0	2.0	4.4	14.4
Mar	Sept	Sturge Hldgs 20p	433	26.1	6.0	2.5	2.0	27.1
Jan.	July	Sun Alliance	845	24.11	23.5	—	3.9	—
June	Nov	Sun Life 5p	£11¼	6.4	28.5	—	3.3	—
April		♦Taisho M EDR	198½	25.3	q010%	—	0.7	—
Fb My Au Nv		Torchmark $1.00	£26½	9.1	Q60c	—	2.2	—
Nov.	May	Trade Indemnity	390	6.4	4.3	—	1.8	—
Ma Ju Se De		Travelers $1.25	£26½xd	27.4	$2.28	—	5.3	—
Dec	June	USLIFE Corp. $1.0	£22¼	5.11	Q$1.20	3.2	3.3	4.9
June	Nov	Utd Friendly B 10p	582	13.10	†17.2	—	4.0	—
May	Nov	Willis Faber 12½p	410xd	27.4	10.75	♦	3.6	♦
Mar	July	Windsor Secs. 10p	68	22.12	0.7	1.5	1.4	63.0

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		♦A & M Group 10p	14	11.8	0.4	2.0	3.9	17.5
Jan	July	A&R TV Pref. £1	76	22.12	5.95	48.1	12.9	—
May	Aug.	Anglia TV	401	23.2	q11.25	3.3	3.5	12.2
—		♦Aspinall Hldgs. 10p	164	23.2	6.0	1.2	5.0	22.5
		♦Avesco 1p	85	—	10.5	6.6	0.8	21.3
—		♦BCE Hldgs 5p	41½	—	Rd1.0	3.0	3.3	13.8
July	Nov	Barr & W.A.T. 'A'	190	29.9	8.0	♦	6.0	♦
—		Boosey & Hawkes	191	4/84	—	—	—	—
		♦Border T.V.	58½	23.2	†q2.5	3.2	5.9	14.7
June	Dec	Brent Walker 10p	279xd	27.4	q8.5	2.2	4.9	13.5
Mar.	Nov	Campari Int. 20p	187xd	6.4	3.0	5.1	2.2	9.6
—		Capital Radio 10p	170	—	w5.0	1.8	4.0	18.4
Nov	May	Central TV	596	6.4	17.0	♦	3.9	♦
Jan	July	Chrysalis	254xd	27.4	5.6	2.1	3.0	21.3
—		♦Cityvision 5p	62	—	—	—	—	—
—		♦Entertain Prod 5p	28	9/85	—	—	—	—
Jan.	July	Fairline Boats 10p	263	8.12	6.0	3.6	3.1	12.3
Apr.	Oct.	First Leisure £1	525	23.2	7.5	3.3	2.0	21.2
—		GRA Group 5p	126	—	—	—	—	—
Jan	June	Grampian TV A 10p	92½	24.11	2.0	3.5	3.0	13.3

PAPER, PRINTING—Continued

PROPERTY

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo-Dominion	112	—	—	—	—
—		♦Colby Res Corp.	87½	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	235	12.1	n040c	4.4	7.9
—		♦Ennex Int. Ir10p	62	—	—	—	—
—		Greenwich Res	276	—	—	—	—
—		♦Highwood Res.	314	—	—	—	—
Fb Jan Ag Nv		Homestake Mining $1	£22	29.1	Q20c	—	0.6
—		♦McFinley Red Lake	427	—	—	—	—
—		♦Musto Explorations	99	—	—	—	—
—		♦New Sabina Res C$1	90	—	—	—	—
—		Northgate C$1	516	9/77	—	—	—
—		Nor-Quest Resources	226	—	—	—	—
Jan.	July	RTZ	968	27.10	23.5	♦	3.4
Jan	July	Do. 9½pcLn '95-2000	£196½	27.10	Q9½%	15.5	4.9

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—	Abelscot Group 10p	395	—	3.2	—	1.1	—
—	Aberdeen Am Pet 10p	31	—	—	—	—	—
	Allied Ins. Brokers	129	—	L3.5	2.5	4.0	14.3
—	Catalyst Comm. 5p	61	—	—	—	—	—
—	Corton Beach 10p	61	—	—	—	—	30.3
—	Evergreen Investment	185	—	—	—	—	—
—	Eglinton Oil Ir.5p	43	—	—	—	—	—
—	Do. Warrants	27	—	—	—	—	—
—	Publishing Hldgs.5p	34	—	—	—	—	19.7
—	Theme Holdings	51xd	27.4	1.0	♦	2.7	♦
—	Unit Group	113	—	R4.6	2.5	5.6	(8.1)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	73	....
Craig & Rose £1	£16¼	+¾
Finlay Pkg. 5p	76	+1
Holt (Jos) 25p	935	+8
Ioid Sim. £1	100	−3
IRISH		
Fund 11¼% 1988	£100⅝	......
Nat. 9¾% 84/89	£98¼	+¼
Fin. 13% 97/02	£115⅝	.....
Arnotts	373	.....
CPI Hldgs	57	.....
Carrol Inds.	123	.....
Dublin Gas	18	.....
Hall (R. & H.)	106	.....
Heiton Hldgs.	29	+2
Irish Ropes	150	.....
Unidare	390	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	47
BOC Grp	42
BSR	12
BTR	30
Babcock	19
Barclays	47
Beecham	48
Blue Circle	62
Boots	25
Bowaters	37
Brit Aerospace	58
Brit. Telecom	20
Burton Ord	23
Cadburys	22
Charter Cons.	30
Comm Union	29
Courtaulds	35
FNFC	20
Gen Accident	80
GEC	18
Glaxo	110
Grand Met	40
GUS 'A'	100
Guardian	85
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	80
Jaguar	52
Ladbroke	40
Legal & Gen	25
Lex Service	35
Lloyds Bank	48
Lucas Inds	55
Marks & Spencer	18
Midland Bk	55
Morgan Grenfell	35
NEI	8
Nat West Bk	55
P & O Dfd	55
Plessey	20
Polly Peck	20
Racal Elect	20
RHM	30
Rank Org Ord	55
Reed Intnl	42
STC	20
Sears	12
TI	55
TSB	8
Tesco	42
Thorn EMI	50
Trust Houses	20
Turner Newall	24
Unilever	150
Vickers	55
Wellcome	50
Property	
Brit Land	17
Land Securities	30
MEPC	32
Peachey	30
Oils	
BOM	3½
Brit Petroleum	68
Burmah Oil	38
Charterhall	4
Premier	4
Shell	75
Tricentrol	11
Ultramar	17
Mines	
Cons Gold	65
Lonrho	24
Rio T Zinc	65

A selection of Options traded is given on the London Stock Exchange Report Page.

APPOINTMENTS

Rea Brothers chairman

Sir John Hill has been appointed a director of REA BROTHERS GROUP. He will become chairman at the conclusion of the annual meeting on May 28. Sir John is a former chairman of the UK Atomic Energy Authority and is currently chairman of Amersham International and Aurora Holdings. **Mr William Dacombe** will remain chief executive of the Rea Brothers group and chairman of Rea Brothers, the London accepting house.

★

Mr John Harris, chairman of EAST MIDLANDS ELECTRICITY since 1982, has been re-appointed to serve for another five years from October 1.

★

JOHN GOVETT AND CO has appointed to the board of its newly-formed pension fund management subsidiary, John Govett Pensions: **Mr Dwight Makins** as chairman; **Mr Mike Sampson**, *managing director*; **Mr Mark Cornwall-Jones**, group investment director; **Mr Robin Berrill**, marketing director; and **Mr James Barstow** and **Mr Ian Kennedy** as directors.

★

Mr David M. Bacon has been appointed a non-executive director, and **Mr A. David** becomes companies secretary of NASH INDUSTRIES.

★

Mr Derek Stevenson has been appointed a director of the GRESHAM GROUP'S operating companies and general manager (administration and personnel).

★

Mr Charles F. Moxom, marine underwriter for BISHOPSGATE INSURANCE, has been appointed a director of both Bishopsgate and its subsidiary Leadenhall Insurance.

★

Mr Richard Wright has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S health and safety policy committee. He is director of personnel at Reed International. **Mr Stuart Phillips** has been made chairman of the transport policy committee. He is distribution director for Rank Hovis. **Mr Graeme Elliot**, executive vice-chairman of Slough Estates, becomes a member of the CBI southern region council.

★

GB PAPERS has appointed **Mr Allan Milne** as manufacturing director at the Guardbridge Mill in Scotland. He was mill manager. The company is part of the James River Corporation of Richmond, Virginia, US.

★

Mr Derek C. Leedham has been appointed to the board of WATES SPECIAL WORKS. He is chief planning engineer.

★

Mr Hugh Pride, who joined the company in 1982, has been appointed systems director of BARING INTERNATIONAL INVESTMENT MANAGEMENT.

Mr William Ramsay who joined the company in 1984 and is based in Seoul, has been appointed director of Baring International Fund Managers.

★

Mr Jamie Sheldon has been appointed a director of GNI, futures broking subsidiary of GERRARD AND NATIONAL HOLDINGS.

★

DAVIDSONS has appointed **Mr J. Brian Case** as sales and marketing director of its converting division. He was operations director for Thames Case.

★

THE UNITED BANK OF KUWAIT, London, has established UBK Export Finance as part of its plan to extend its project and export finance capability, and has appoined **Mr Brian Melville** as head of export credit. He was an assistant director of Grindlay Brandts Export Finance.

★

Mr Stanley Clarke, chairman and managing director of Courier Press, will join the board of EMAP. **Mr Robin Miller**, **Mr David Arculus** and **Mr Martin Lusby** of EMAP will join the board of Courier, with Mr Lusby becoming deputy chairman of Courier. Following EMAP's acquisition of Senews **Mr John Bradshaw** will become managing director of Senews.

★

As the first stage of an expansion of its UK operation, McDONNELL DOUGLAS FINANCE CORPORATION has made the following appointments: **Mr John Bennett** as director — operations, responsible for marketing and business development. He was formerly a director of the Royal Bank of Scotland's leading subsidiary. **Mr Jack Stephen**, treasurer and controller with Security Pacific Eurofinance, is appointed director—finance. **Mr James Finlay**, who joined in 1982, becomes director—risk administration.

★

Mr Anthony Isaacs will succeed **Mr Richard Eddis** as senior partner of STEPHENSON HARWOOD on May 1. Mr Eddis remains a partner. **Mr Michael Wood**, **Mr Nicholas Phillips** and **Mr Trefor John** have joined the partnership.

★

Lord Nathan has retired from HERBERT OPPENHEIMER, NATHAN AND VANDYK as senior partner and becomes a consultant to the firm. **Mr William Pybus** has succeeded Lord Nathan as senior partner. Mr Pybus has been a partner since 1953 and is chairman or director of a number of public companies.

★

Mr Tom Stobart, managing director of EEC Quarries, has been re-elected chairman of BACMI, the national aggregates trade federation. Elected vice-chairman was **Mr Jack Mawdsley**, chief executive, Tarmac quarry products division.

DIARY DATES

Parliament

TUESDAY

Commons: Proceedings on the Chevening Estates Bill. Landlord and Tenant (No 2) Bill, remaining stages. Motions on rate support grant orders. Motion on teachers' pay and conditions order.

Lords: British Railways (Stansted) Bill, third reading. Irish Sailors and Soldiers Land Trust Bill, committee. Housing (Scotland) *Bill, third reading. Abolition* of Domestic Rates (Scotland) Bill, report. Deer Bill, second reading. Debate on EC report on the European Farm Price Review.

Select committees: Education, Science and Arts—subject: special educational needs. Witness: Schools Inspectorate. (Room 15, 11.15 am). Parliamentary Commissioner for Administration — subject: reports of the Northern Ireland Commissioner. Witness: Mr Hugh Kernohan and Mr J. Conway (Room 5, 4.30 pm).

WEDNESDAY

Commons: Debate on the security situation in Northern Ireland. Motion on police and industrial relations orders concerning Northern Ireland.

Lords: Debate on the state of post-school education. Crown Proceedings (Armed Forces) Bill, second reading. Short debate on the draft EC directive on broadcasting.

Select committees: Foreign Affairs — subject: FCO/ODA supply estimates 1987-88. Witness: FCO officials (Room 19, 10.30 am). Energy—subject: work of the Nuclear Installations Inspectorate. Witnesses: Mr E. A. Ryder, HM Chief Inspector of Nuclear Installations, Police Branch, NII (Room 15, 11 am). Trade and Industry—subject: motor components industry. Witnesses: Mr Giles Shaw, Industry Minister and Mr John Butcher, Parliamentary Under-Secretary (Room 15, 11 am). Home Affairs—subject: regulation of DBS and Cable TV. Witness: Home Office (Room 5, 4.15 pm). Public Accounts—subject: arrears of *work; Inland Revenue Department*; appropriation accounts, 1985-86; Treasury minutes on life assurance premium relief and mortgage interest relief at source. Witness: Mr A. M. W. Battishill, Board of Inland Revenue (Room 16, 4.15 pm). Social Services—subject: problems associated with AIDS. Witnesses: National Union of Teachers; National Union of Schoolmasters/Union of Women Teachers; National Association of Head Teachers; AIDS liaison officers: Terry Cotton, Hammersmith; Carl Miller, Oxford (Room 21, 4.15 pm). Environment—subject: pollution of rivers and estuaries. Witness: Mr William Waldegrave, Minister of State, Environment Department (Room 20, 4.30 pm). Treasury and Civil Service Sub-committee—subject: Civil Service recruitment, training and career management. Witnesses: Council of Civil Service Unions; Association of First Division Civil Servants (Room, 6, 4.30 pm). Joint Committee—private bill procedure. Witness: Open Space Society (Room 2, 4.30 pm). Committee on Private Bills—unopposed bills: British Waterways Board; Bexley London Borough Council (Room 9, 4 pm).

THURSDAY

Commons: Banking Bill, consideration of Lords amendments. Fire Safety and Safety of Places of Sport Bill, remaining stages. Motions on financial services orders. Opposed private business at 7 pm.

Lords: Committee stages of the Agricultural Training Board Bill, Register of Sasines (Scotland) Bill, Immigration (Carriers Liability) Bill. Pilotage Bill, consideration of Commons amendments. Parliamentary and Health *Services* Commissioners Bill, report. Swanage Yacht Haven Bill, second reading. Registered Establishments (Scotland) Bill, committee. Unstarred question on the Government's response to the National Council for Voluntary Organisations' report on "After Abolition."

FRIDAY

Commons: Private members' bills.

Lords: Northern Ireland (Emergency Provisions) Bill, second reading. [illegible] port Aircraft Movement Limit Order 1987, motion for approval. Motions on sex discrimination, and race relations orders. Access to Personal Files Bill, second reading.

Finance

YESTERDAY

DIVIDEND & INTEREST PAYMENTS—
Automagic 2.25p
Delaney 1.8p
International Invst Co of Jersey 6.5p
New Zealand 11[illegible]pc 2008 (Reg) 5[illegible]pc
Scottish Eastern Invst Tst 1.55p

TODAY

COMPANY MEETINGS—
Fleming Mercantile Invst Tst, 25 Copthall Ave, EC, 12.00
Kellock Tst, Hyde Park Hotel, Knightsbridge, SW, 12.00
Laidlaw Thomson, Hotel Piccadilly, Manchester, 12.00
Newage Transmissions, Hotel Leofric, Coventry, 11.30
Renwick, Renwick House, Brixham Road, Paignton, Devon, 12.00
Rivlin, Gt Eastern Hotel, Liverpool St, EC, 10.00
Systems Designers, Salters Hall, Fore St, Barbican, EC, 12.00
Technical Component Inds, Chesterfield Hotel, Malkin St, Chesterfield, 10.30

BOARD MEETINGS—
Finals:
Ambrose Inv Tst
Derby Brewery
Holt (Joseph)
Hopkinsons
Minet Hldgs
Silentnight
Wace
Interims:
Perkins (John) Meats
Trafalgar House

DIVIDEND & INTEREST PAYMENTS—
Asset Tst 2p
BM Grp 0.9p
[illegible] Inds 3p
Barclays Overseas Invst Co BV Jun Gtd Und Fltg Rate Nts $185.88
Bedford (William) 3p
Bermuda Int Bnd Fd 30 cts
Bullers 1.5p
Christiania Bk OG Kreditkasse Prim Cap Und FRN $309.65
Clarke (T.) 1.98p
Credit National 13¼pcGtd Nts 1989 (Reg) 6¼pc. 13¼pc Gtd Nts 1993 (Reg) 6¾pc
HTV Grp Non V 3.2p
Hickson Int 12.2p
Hurst (Charles) Nilders 7¼pcDb 1985-91 3¼pc
Hydro-Quebec Fltg Rate Nts Ser FV May 2005 $53.87
Low and Bonar 3.8p
Time Life Overseas Fin 10¼pc Gtd Nts 1990 $5pc
Tod 1.5p
Walker (Thomas) 0.175p

TOMORROW

COMPANY MEETINGS—
AE, Cawston House, Rugby, Warwickshire, 12.00
Barker and Dobson, Inn on the Park, Hamilton Place, Park Lane, W, 11.0
Brent Walker, Tower Rooms, Tower Hill, EC, 11.00
Cadbury Schweppes, Royal Lancaster Hotel, Lancaster Terrace, W, 12.00
Consultants (Computer and Finance), 19 Old Broad St, EC, 12.00
General Accident, Pitheavlis, Perth, 10.00
Hay (Norman), Berkeley Arms Hotel, Bath Road, Cranford, Middlesex, 11.00
Ibstock Johnsen, Hyde Park Hotel, Knightsbridge, SW, 12.0
Instem, Savoy, Strand, WC, 10.30
Ipeco, Savoy, Strand, WC, 11.00
Jourdan (Thomas), Castle Hotel, High St, Windsor, Berkshire, 12.00
Kleinwort Smaller Cos Invst Tst, 10 Fenchurch St, EC, 2.30
Linread, Birmingham Chamber of Industry and Commerce, 75 Harborne Rd, Birmingham, 12.00
Mackay (Hugh), Royal County Hotel, Durham City, 12.00
Monotype Corp, Gt Eastern Hotel, Liverpool St, EC, 12.00
Nichols (J. N.) (Vimto), Ledson Rd, Wythenshawe, Manchester, 11.00
Pittard Grp, Sherborne Rd, Yeovil, Somerset, 12.00
Rentokil, Felcourt, East Grinstead, West Sussex, 11.00
Schroders, 120 Cheapside, EC, 12.00
Stanley (A. G.), Macclesfield Rd, Holmes Chapel, Crewe, Cheshire, 12.00
Steel Burrill Jones, Gt Eastern Hotel, Liverpool St, EC, 11.30
T and S Stores, Post House Hotel, Chapel Lane, Gt Barr, Birmingham, 12.00
Worcester, Diglis, Worcester, 1.00

BOARD MEETINGS
Finals:
City of Oxford Inv Tst
Davies and Metcalfe
Forward Grp
German Smaller Cos Inv Tst
Malartic Hygrade Gold Mines
Marks and Spencer
Nurdin and Peacock Cash and Carry
Smallshaw (R.) (Knitwear)
TDS Circuits
Windsmoor
Interims:
Capital Radio
Redfearn Ntl Glass
Royal Bank of Scotland
St Ives Grp
Tiger Oats

DIVIDEND & INTEREST PAYMENTS—
Brixton Estate 7¼pcDb 1987-92 3⅝pc
Cadbury Schweppes 8½pcDb 1994-2004 4¼pc
Combined Lease Fin 0.9p
Courtaulds 5pcPf 2.1p, 6½pcLn 1994-96 3¼pc, 7½pcLn 1994-96 3¾pc
De Beers Dfd (Reg) 0.6 cts, Dfd (Br) 60 cts
Delta 10¼pcDb 1995-99 5⅛pc
Fleming Mercantile 2.25p
Hellbor Hldg Bnd Fltg Rate Ln Nts 1994 £134.57
Laidlaw Thomson 2.5p
Libra Bank Sub Fltg Rate Nts 1995 $311.09
Metal Box 10½pcLn 1992-97 5¼pc
Mitchell, Somers 2.1p
Newage Transmissions 1p
Nichols (J. N.) (Vimto) 4.1p
Ortiflame Int (Br) 16.5p
Royal Bank of Scotland Fltg Rate Nts 2005 £134.11
Sheldon Jones 1.35p
Technical Components Inds 2.5p
Tilling (Thomas) 8½pcPrLn 1989-94 4¼pc
Whitbread 7¼pcLn 1995-99 3.625pc

THURSDAY MAY 7

COMPANY MEETINGS—
Allida Hldgs, Heanor Gate, Heanor, Derbyshire, 11.00
BBA Grp, Norfolk Gardens Hotel, Hall Ings, Bradford, W. Yorkshire, 11.30
Bilston and Battersea Enamels, Strathallan Hotel, Hagley Rd, Birmingham, 11.30
Canning (W.), Canning House, St Paul Square, Birmingham, 3.00
Cattle's, Willerby Manor Hotel, Well Lane, Willerby, Hull, 2.00
Corah, Burleys Way, Leicester, 12.00
Crowther (John) Grp, Barber-Surgeons' Hall, Monkwell Sq, EC, 12.00
Delta Grp, Waldorf Hotel, Aldwych, WC, 12.00
Evans Halshaw, Monaco House, Bristol St, Birmingham, 12.00
Fisher (James) and Sons, Lisheonie Hotel, Abbey Rd, Barrow-in-Furness, 12.00
Geest, Springfields Restaurant, Spalding, Lincolnshire, 11.30
Hambro Countrywide, Connaught Rooms, Gt Queen St, WC, 11.30
Jacobs (John I.), General Council of British Shipping, 30-32, St Mary Axe, EC, 11.30
Lyon & Lyon, 288, Bradford Road, Batley, 12.15
Musterlin Group, Great Western Hotel, Parade Street, Paddington, W, 12.00
Standard Chartered, Connaught Rooms, 61-65, Great Queen Street, WC, 12.00
Stewart Wrightson, Baltic Exchange, 14-20, St. Mary Axe, EC, 12.00
Tozer Kemsley & Millbourn, Royal Westminster Hotel, Buckingham Palace Road, SW, 12.00
Turner & Newall, Portland Thistle Hotel, Portland Street, Piccadilly Gardens, Manchester, 2.30
United Biscuits, George Street, Edinburgh, 12.00
Wates City of London Properties, Winchester House, 77, London Wall, EC, 12.00
Wickes, 19-21, Mortimer Street, W, 11.00

BOARD MEETINGS—
Finals:
Fleming Far Eastern Inv Tst
GRA
Harris Queensway
Holt Lloyd Intnl
King and Shaxson
Smith St Aubyn
Usher-Walker
Interims:
Drayton Consd Tst
Fundinvest
Rand Mines

DIVIDEND & INTEREST PAYMENTS—
BBA Grp 10pcUns 1989-94 5pc
Bilston & Battersea Enamels 0.7p
Blue Circle 10¼pcDb 1994-99 5⅛pc
BP 23p
Broad Street 1.1p
Conversion 9½pc 2003 4¾pc
Elders IXL 8cts A
Eleco 2p
Investment Tst of Guernsey 5.5p
Johnson Group Cleaners 15p
M & G American Smaller Co's 0.003p
Ramus 2p
Rentokil 1.775p
SPP 3.5p
Standard Chartered Und Prim Cap FRN (Ser 2) $314.34
Thorn EMI 5pcLn 2004-09 2½pc, 7½pcLn 1989-92 3¾pc, 7½pcLn 2004-09 3¾pc, 8¼pcLn 1989-94 4⅛pc
Treasury 10¼pcCnv 1992 5⅛pc
Wilkes (James) 3.75p
Wills Group 5.5p

FRIDAY MAY 8

COMPANY MEETINGS—
Ashley Industrial Trust, Bowdon Croft Hotel, Green Walk, Bowden, Altrincham, Cheshire, 12.00
Ault and Wiborg, Arundel House, 1 Farm Yard, Windsor, 11.00
Beatson *Clark, Hallam Tower Post House* Hotel, Sheffield, 12.00
Britannia Assurance, Chief Office, Moor Green, Moseley, Birmingham, 12.00
Church and Co, Northampton Moat House, Silver Street, Northampton, 12.00
Desoutter Bros, Hendon Hall Hotel, Parson Street, NW, 12.00
Grampian, Royal Scottish Automobile Club, 11 Blythswood Square, Glasgow 12.00
Hawtal Whiting, Brewery, Chiswell Street, EC, 12.00
Lowe Howard-Spink and Bell, Hyde Park Hotel, 66 Knightsbridge, SW, 12.00
Molins, Salters Hall, Fore Street, Barbican, EC, 12.15
Oliver (George) (Footwear), Grove Way, Castle Acres, Narborough, Leicester, 12.00
Owners Abroad, Barrington House, 59-67 Gresham Street, EC2 12.00
Palma, Grand Hotel, Leicester, 12.00
Refuge Group, 103 Oxford Street, Manchester, 11.30
Tyndall Hldgs, Barrington House, 59-67 Gresham Street, EC, 12.00

BOARD MEETING
Interim:
Barton Transport

DIVIDEND & INTEREST PAYMENTS—
American Express 38 cts
Anglo American Ind Corp 135 cts
Boddington 2.23p
Cattle's 1.475p
Continental Microwave 1p
Desoutter Bros 5.2p
FII Group 3p
Ferry Pickering 1.6p
Fisher (James) and Sons 0.35p
Hall (R. and H.) 3.3p
Home Farm Prods 1.15p
Invergordon Distillers 3.75p
Jaguar 6.2p
Jourdan (Thomas) 3.25p
Klearfold 3.1 cts
Magnetic Materials [illegible]
Maunders (John) 2.6p
Minerals and Resources 6 cts
Musterlin 2p
Rotunda 1p
Schroders 10.5p
Do non-vtg 10.5p
Tioxide 11½ pc Uns Ln 1991/96 5¾pc
Transport Dev 3.5p
Treasury 3pc 1990 1.5pc

SATURDAY MAY 9

DIVIDEND & INTEREST PAYMENTS—
Grampian 3p
International Bank for Rec and Dev 11.5 pc Ln 2003 5.75pc

SUNDAY MAY 10

DIVIDEND & INTEREST PAYMENTS—
Exchequer 10½pc 1989 5¼pc
Mitsubishi Finance [illegible] EA Fltg Rate Sub Nts 1992 $150.66

Trade fairs and exhibitions: UK

Current
Northern Ideal Home Exhibition (0602 501202) (until May 13) — G-Mex Centre, Manchester

May 7-9
Scottish Freight Transport and Distribution Exhibition Conference (01-642 7688) — Aviemore Centre

May 10-13
Business to Business Exhibition (01-729 0677) — Barbican Centre

May 12-15
Automated Manufacturing Exhibition and Conference—AUTOMAN (01-891 5051) — Quality Assurance & Production Inspection Technology Exhibition INSPEX (01-940 6066) — NEC, Birmingham

May 14-16
Scottish Money Show (01-948 8166) — Scottish Exhibition Centre, Glasgow

May 17-20
Consumer Electronics Show (01-486 1951) — Earls Court

May 18-21
International Process Engineering Exhibition (01-855 7777) — Earls Court

May 18-21
International Environment and Safety conference and exhibition (0727 51993) — NEC, Birmingham

May 19-21
London Wine Trade Fair (01-637 2400) — Kensington Exhibition Centre

May 19-22
Chelsea Flower Show (01-834 4333) — Royal Hospital, Chelsea

Overseas

May 5-9
International Footwear and Leather Goods Show (01-379 0765) — Taipei

May 6-10
International Contract Floor Coverings Exhibition (01-734 0543) — Frankfurt

May 8-13
International Industrial, Automation, Process Control Technician and Equipment Exhibition CHINA INPROTECH (02403 29406) — Beijing

May 17-20
Business Efficiency Exhibition—BEE/OFEX (02403 29406) — Hong Kong

May 20-28
International Technical Fair *(spring) (021-705 6707)* — Budapest

May 27-June 2
International Trade Fair for Machinery & Equipment for Wood & Forest Industries—LIGNA (01-651 2191) — Hanover

June 9-15
International Building Construction Exhibition — CONSTRUCTION CHINA (01-486 1951) — Beijing

Business and Management Conferences

May 4-7
The Textile Institute: World conference — *textiles: product* design and marketing (061-834 8457) — Como

May 6-7
Financial Times: The fifth FT manufacturing forum (01-621 1355) — Hotel Inter-Continental, W1

May 11-12
Practising Law Institute: Foreign Investment in the United States after the Tax Reform Act of 1986 (NY (212) 765-5700) — New York Hilton

May 11-15
ISATA: 16th International Symposium on Automotive Technology and Automation (01-680 8659) — Florence

May 12
Institute of Directors: The Inland Revenue and the Company Executive (01-839 1233) — 116 Pall Mall, SW1

May 13
Longman Seminars: Defaulting debtors: how to avoid them and what to do if you fail (01-242 4111) — Cavendish Conference Centre, W1

May 13-14
Financial Times: The tenth FT World electronics conference (01-621 1355) — Inn on the Park, W1

May 18-19
Financial Times: European banking conference (01-621 1355) — Milan

May 18-20
IMECHE: European congress on fluid machinery for the oil, petrochemical and related industries (01-222 7899) — The Hague

May 19-20
Campaign Marketing: The advertising and marketing conference (01-680 7525) — Royal Lancaster Hotel, W2

May 19-21
Spectra: Retail Europe '87 (0734 794161) — Novotel, London

May 21
Institute of Directors: Directors' responsibilities and liabilities (01-839 1233) — 116 Pall Mall, London

May 27-28
Crown Eagle Communications: International trade finance (01-242 4111) — Tower Hotel, E1

May 28
Tolley Publishing: CSR spring updating (01-727 3503) — London Press Centre

May 29
Institute for International Research: Advanced strategies in structuring, banking and investing in mortgage securities (01-434 0301) — Royal Lancaster Hotel, W2

June 3
Oracle Business Information: managing a unit trust group (01-580 5588) — Cavendish Conference Centre, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices May 4

[illegible]

Total Sales 9,411,521 shares

MONTREAL

Closing prices May 4

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK-DOW JONES

	May 4	May 1	April 30	April 29	April 28	April 27	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,287.05*	2,286.40	2,286.36	2,254.25	2,231.86	2,230.54	2405.54 (6/4/87)	1927.31 (2/1)	2405.54 (6/4/87)	41.22 (2/7/32)
Transport	915.87*	916.45	914.12	910.86	909.03	910.22	961.48 (6/4/87)	816.36 (2/1)	961.48 (6/4/87)	12.32 (8/7/32)
Utilities	202.38*	202.10	204.28	202.19	200.20	198.99	227.83 (22/1/87)	198.99 (27/4)	227.83 (6/4/87)	10.5 (8/4/32)
Trading vol		160.11m	182.08m	180.88m	180.08m	222.71m	–	–	–	–

	April 24	April 10	April 3	Year Ago (Approx)
Ind Div Yield %	2.88	2.86	2.80	3.85

STANDARD AND POORS

	May 4	May 1	April 30	April 29	April 28	April 27	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	338.82*	341.48	341.48	330.17	327.54	326.74	349.48 (6/4/87)	274.58 (2/1/87)	349.48 (6/4/87)	3.62 (21/6/32)
Composite	288.81*	289.39	288.35	284.07	282.51	281.83	301.95 (6/4/87)	246.45 (2/1/87)	301.95 (6/4/87)	4.40 (1/6/32)

	April 22	April 15	April 8	Year Ago (Approx)
Ind div yield %	2.52	2.54	2.47	2.98
Ind. P/E Ratio	23.17	21.23	22.12	17.22
Long Gov Bond Yield	8.32	8.35	7.88	7.79

N.Y.S.E. ALL COMMON

May 4	May 1	April 30	April 29	1987 High	1987 Low
161.86*	162.04	162.86	160.94	171.86 (24/3/87)	141.81 (21/1)

RISES AND FALLS

	May 1	April 29	April 28
Issues traded	1,942	1,948	1,947
Rises	688	941	885
Falls	858	599	681
Unchanged	404	388	388

TORONTO

	May 4	May 1	April 30	April 29	1987 High	1987 Low
Metals & Minls	2,753.9*	(4)	2,689.5	2,675.3	2,813.0 (21/4)	1,988.2 (2/1/86)
Composite	3,716.6*	3,780.59	3,716.7	3,784.2	3,881.2 (6/4/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	1,834.56*		1,838.28	1,815.6	1,835.8 (6/4/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	May 4	May 1	Apr. 30	Apr. 29	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1765.4	1778.3	1749.6	1756.8	1799.9 (27/4)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1173.4	1160.9	1164.0	1167.3	1224.5 (27/4)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	194.49	(c)	195.10	194.95	230.60 (2/1)	194.95 (29/4)
BELGIUM						
Brussels SE (1/1/84)	4606.22	(c)	4616.03	4599.77	4620.63 (24/4)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	199.40	(c)	198.80	198.84	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	513.0	(c)	512.2	512.1	514.2 (23/4)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	452.6	(c)	453.6	453.2	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	113.3	(c)	113.5	113.8	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	586.61	(c)	590.44	588.86	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1776.1	(c)	1785.2	1792.2	2048.3 (6/1)	1633.5 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	2685.75	2685.37	2659.85	2589.54	2939.05 (3/3)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	766.40	(c)	767.34	760.54	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	**	23680.8	23274.8	(c)	24097.79 (22/4)	18544.0 (13/1)
Tokyo SE New (4/1/68)	**	21114.9	2078.49	(c)	2171.08 (16/4)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	277.60	280.60	(c)	280.8	293.4 (9/4)	257.7 (28/1)
ANP CBS Indust. (1970)	256.6	260.0	(c)	260.9	274.9 (5/1)	243.7 (28/1)
NORWAY						
Oslo SE (4/1/83)	418.45	(c)	424.89	428.90	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1131.98	(c)	1127.40	1129.54	1140.37 (27/4)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	–	–	2186.0	–	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	–	–	1836.0	–	1836.0 (1/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	219.43	(c)	222.08	223.47	255.95 (23/2)	212.04 (2/1)
SWEDEN						
Jacobson & P. (31/12/56)	2745.20	(c)	2774.10	2765.10	2774.10 (30/4)	2111.39 (26/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	588.9	(c)	588.1	587.5	603.3 (6/1)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	–	464.6	460.2	453.9	466.6 (21/4)	361.3 (2/1)

**Saturday May 2: Japan Nikkei 24,009.0 TSE 2,138.63

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 45

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 45

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.60	1.7	20	57	29½	29	29¼	−⅛
37	21⅞	ADT	.92	3.1	17	321	30½	29¾	30	−¾
41½	23⅝	AFG	.12e	.3	11	654	37¾	36⅝	37¾	+1¼
42	16¾	AGS			21	222	41⅛	40	40⅞	−⅛
13¾	6¾	AMCA				332	8	7⅜	7½	−½
9⅝	4⅞	AM Intl				1023	6⅝	6½	6½	−⅛
62⅛	47¼	AMR			11	3794	53⅜	51⅝	53⅜	+1¾
12⅜	8	ARX s			12	23	10⅛	10	10⅛	
73½	28¾	ASA	2a	3.0		1154	66½	64¾	66¼	+1¼
20	9¾	AVX		1.7	92	170	18⅝	18⅜	18⅜	−¼
67	41	AbtLb s	1	1.7	25	3185	60½	58⅝	58½	+⅜
34¾	25	AccoWd.62		2.1	18	22	29⅜	29¼	29¼	−⅛
15⅛	9	AcmeC .40		3.0	9	93	13½	13⅛	13¼	
8⅜	6⅛	AcmeE .32b		4.1	30	2	7⅞	7¾	7¾	−⅛
23⅞	19	AdaEx 3.42e		16.		80	21⅛	20⅞	21⅛	
19½	11⅜	AdmM s .24		1.4	13	29	17¼	16⅞	16⅞	−½
21½	12⅛	AdvSys.62t		3.5	14	44	18⅛	17¾	17¾	
26⅞	12⅞	AMD				2826	23	22⅜	22½	−⅜
54¾	48⅝	AMD pf	3	5.6		165	53¾	53¼	53¼	−¼
10¾	5¼	Adobe				415	9⅛	9	9⅛	−⅛
20½	13¾	Adob pf 1.84		9.4		6	19½	19½	19½	−¼
21⅞	16⅜	Adob pf 2.40		12.		6	20⅜	20⅜	20½	−⅛
18⅜	11½	Advest .12a		.8	11	519	15⅞	15⅛	15¼	+⅛
68¼	53	AetnLf 2.76		4.9	9	7636	57⅛	56	56⅞	−¼
50¾	21⅞	AflPb s .32		.7	25	77	47½	46⅞	47½	+½
28¾	18⅞	Ahmans .88		3.9	7	2081	22½	21⅝	22½	+⅝
5¾	2⅞	Aileen				6	4¾	4⅝	4⅝	−⅛
48½	29⅛	AirPrd .80		1.8	242	706	43¾	42¾	43½	+⅛
35¼	16	AirbFrt .60		1.8	13	x682	32⅝	31¾	32½	+½
12	7⅜	Airgas n				74	10⅞	10⅝	10⅞	
[illegible]										

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Spirit dampened by holidays and auctions

WALL STREET

SOME LATE buying helped Wall Street stock prices overcome earlier losses while bond prices fell more than one point as the dollar turned lower despite central bank intervention, *writes Roderick Oram in New York.*

Activity was dampened by lack of international buying because of the closure of the London and Tokyo markets for holidays.

The Dow Jones industrial average closed up 5.83 points at 2,286.22. It had opened about 10 points up but drifted more than 18 points below its previous close during the afternoon before recovering.

Broader market indices showed a mixed pattern with the Standard & Poor's 500 index closing up 1.33 points at 289.36 and the New York Stock Exchange composite index adding 0.58 to 163.22 while the American Stock Exchange composite was up only 0.01 at 325.18.

NYSE volume of 140.7m shares was the slackest since April 20. Declining issues just outnumbered those advancing by 818 to 757.

Among the blue chips, AT&T added $½ to $24¾, IBM gained $2½ to $163, Boeing gave up $¼ to $44¾, Eastman Kodak dropped $¾ to $75¾, General Motors fell $¾ to $91¼, McDonald's gave up $1⅛ to $80¾ and Sears Roebuck edged up $⅛ to $52¾.

Joining the band of brokerage house recommending a higher cash position in portfolios, E. F. Hutton switched its recommendation to 50 per cent equities, 35 per cent cash and 15 per cent, from 75 per cent equities, 25 per cent bonds and zero cash.

"In the current stock market environment – more risk on the downside than the upside – relatively safe harbour should be found" in stocks offering good earnings, Hutton said in a circular. It recommended, for example, chemicals, health care and technology stocks.

Mining and metals stocks rose in line with higher precious metals prices yesterday. Phelps Dodge added $3¼ to $33¼, Homestake rose $1⅛ to $38¾, Newmont Mining gained $3¾ to $95¾ and ASA added $1¼ to $66¼.

USX advanced $⅛ to $29. It forecast that operating capacity of its steel plants will reach 85 per cent by June.

Among yesterday's issues in the news, Merrill Lynch edged ahead $⅛ to $36⅛ in ex-dividend trading. It reshuffled top management over the weekend following bond trading losses totalling more than $250m.

A.H. Robins gave up $⅜ to $20¾ after a group of New York investors led by Mr Michael Steinhardt said it had raised its stake in the company to 8.7 per cent. Recent newspaper reports said that the drugs group's bankruptcy reorganisation plans would burden it with heavy debts and leave it financially weak for the next five weeks.

Gillette added $2½ to $58½ after a Paine Webber analyst raised his recommendation to a "strong buy."

Mack added $⅝ to $17⅞. The heavy truck producer won agreement from its unions for a five-and-a-half year labour contract which will cut wages.

In the takeover arena, Church's Fried Chicken rose $1⅛ to $11¾. The chain of fast food restaurants said it had received a $12¼ a share takeover offer from a newly formed investment group including Shearson Lehman Brothers and Citicorp Capital Investors. Church's said its board would consider the offer.

HBO gained $1¼ to $13 in the over-the-counter market after it authorised Goldman, Sachs to seek potentail takeover offers. Current market capitalisation of the group, which supplies hospital information systems, is around $280m.

Zapata, a construction, dredging and oil and gas drilling group, gained $⅝ to $4¼. It agreed in principle with its creditors to restructure long-term debt totalling $560m, of which about $175 will be turned into equity.

US credit markets traded thinly yesterday because of holidays abroad, the reluctance to take position ahead of the Treasury's auction of $29bn of debt securities which begins today and a weaker dollar.

Bond prices fell by more than one point, with, for example, the 7.50 per cent benchmark Treasury long bond finishing down 1⅛ of a point at 87[illegible] yielding 8.67 per cent.

Disappointing news came from the purchasing managers survey for April which indicated a slightly more bearish outlook. The managers reported continuing strength of new orders but a higher incidence of price increases.

The auctions will dominate the markets this week, with the degree of Japanese participation one of the key questions. The recent decline and continuing instability may dampen their appetite for new bonds. But with Tokyo markets closed yesterday and today New York participants lacked an indication of current Japanese feelings.

CANADA

STRONGER mines helped Toronto post early gains. Dome Mines traded C$¾ higher to C$21⅝, while Placer firmed C$½ to C$46⅛. Campbell Red Lake at C$40 was C$1⅛ higher.

Among base metal issues, Alcan was C$⅝ ahead at C$37⅞, Inco was C$⅛ higher at C$22 and Cominco was C$⅛ up at C$16⅞.

Oils were broadly lower with Dome Petroleum edging 6 cents down to C$1.30.

Banks were weaker on the drop in the US dollar and the lack of progress in the US-Japan trade saga.

Montreal staged a widespread fall and Vancouver was firm.

Haig Simonian considers how small companies will be affected by the opening of West Germany's fourth equity market

Fresh bid to harness the economic backbone

WITH three different equity markets already running on West Germany's eight regional stock exchanges, some might be forgiven for asking whether the country really needs a fourth.

But supporters of the *geregelter Markt*, the new secondary market in stocks and bonds, which its debut yesterday, hope it will spur more small companies to go public, while triggering a rationalisation among the different markets.

West Germany's two existing unlisted securities markets – the *geregelter* and the *ungeregelter Freiverkehr* – come under the jurisdiction of the individual bourses and their regional regulators. By contrast, the new *geregelter Markt* has been drawn up under the aegis of a national law, similar to that which already applies to the "amtliche Handel" – the existing senior market in equities.

The legal framework for the newcomer, which formed one part of a package of government-inspired innovations to improve the flexibility of West Germany capital markets, passed into law at the end of last year.

Improved legal standing and better investor protection may encourage both companies and investors to show interest, but it is the new markets' more relaxed publicity, capital and listing requirements which the Government – and Mr Rüdiger von Rosen, executive vice-chairman of the fledgling Association of German Stock Exchanges – hope will really encourage more small companies to go public.

It is not the first time the country's important small and medium-sized businesses, described as the backbone of the economy, have come under the microscope. Many small family-owned companies, often set up by individual entrepreneurs after the Second World War, are facing questions of succession as their founding fathers retire or die. A large number would also like more capital to expand.

Substantial credit lines between companies and their commercial banks have long been an important way of German business life. But there is a widespread feeling that the share of "own capital" in companies should rise. As matters stand, only a fraction of the country's 2,200-odd suitable limited companies are quoted publicly.

The new market has been designed to make flotation easier. For a start, small companies will only have to publish financial information once a year, against twice on the *amtliche Handel.*

Companies will also need only a minimum DM 500,000 ($278,000) in own capital, compared with DM 2.5m for the senior market. Though no formal ruling has been made, a company will probably only need to have been in the form of an *Aktiengesellschaft* – a limited company with its capital in equity form – for about a year to obtain a listing, against three years on the main market.

Mr von Rosen, whose main task is to encourage West Germany's sometimes fractious bourses to work together more closely, is pleased that it has only taken a couple of months to "create a new stock exchange order" for the new market, which will apply identically on all eight bourses. "We have worked extremely hard to get this through," he says.

But he denies the newcomer is partly a sop to regional interests at a time when West Germany's big banks, which play a crucial role in stock exchange business, would like to concentrate more on Frankfurt,

Mr Rüdiger von Rosen

where over 50 per cent of West German equity trading takes place. The *geregelter Markt*, will not add to the centralising forces admittedly pulling Frankfurt's way," he insists.

In fact, Mr von Rosen claims the new market will strengthen smaller bourses by encouraging regional firms to go public. That may be so, but many may still prefer to list in Frankfurt. Two companies, Carl Schenck, the Darmstadt-based electronics and machinery group, and BBS Kraftfahrzeugtechnik, a Black Forest manufacturer of sports wheels for cars, were due to be listed in Frankfurt yesterday. A further two, Adolf Ahlers, a Westphalian clothing group, and Hornblower, Fischer, the stockbroker, are waiting in the wings.

Changes in the law, which will allow big institutional investors like insurance companies to buy shares of companies choosing the new market, may also encourage more to go public. As matters stand, insurance companies cannot buy shares in groups which do not have an official listing.

The new market should also lead to the gradual disappearance of the existing, less tightly controlled *geregelter Freiverkehr* in domestic equities, according to Mr von Rosen. A number of the 108 companies listed on it have already decided to take advantage of a free transfer period until next April to switch over.

Yet probably the most interesting aspect of the *geregelter Markt* is whether it will shake up the existing order in the new issues business. Company flotations in West Germany are dominated by the big banks, notably Deutsche Bank. According to the new rules for the *geregelter Markt*, not just a credit institution, but any organisation deemed suitable, may lead a flotation.

Some observers think this will open the door for less conventional groups, like investment funds, venture capital groups, or even West Germany's highly conservative insurance companies to lead new flotations.

It will be up to each individual bourse *Zulassungsausschuß* – registration committee – to decide what sort of institution is acceptable to manage a new issue. However, anyone expecting a revolution in West German finance will have to be very patient. The big banks may not form the majority on the registration committees, but few observers expect any sudden changes given their dominance in the market.

Moreover, cautious companies about to go public may still feel safer in the hands of Deutsche Bank, or the leading regional house, than in the less experienced arms of a newcomer.

EUROPE

Frankfurt slips on weakened dollar

SUBDUED post-holiday trading dominated the European bourses yesterday as most centres turned cautiously lower and many investors kept to the sidelines pending the return of British investors after their long May Day weekend.

Frankfurt edged lower as the dollar was eroded slightly and hopes faded that the Bundesbank would cut interest rates soon. The midsession calculation of the Commerzbank index showed a drop of 9.1 to 1,776.1.

Financials were mixed with Deutsche Bank up 50 pfg to DM 642.50, Dresdner unchanged at DM 338.50 and insurer Allianz down DM 6 at DM 1,725.

Cars were also mixed with VW up DM 1 to DM 345.50 despite a dull earnings forecast while Daimler, down sharply in early trading, finished DM 2.50 off at DM 989 as the dollar held at about DM 1.7750 in late trading.

Chemicals, also dollar-sensitive, saw Bayer pick up 60 pfg to DM 303.10 and Shering jump DM 4.50 to DM 597.50.

Engineering shares were weakened by a report from the West German Machinery Makers Association that revealed industry orders down 9 per cent in their first quarter.

Bond market turnover was restricted due to the Tokyo and London closure. Isolated gains of 10 basis points were offset by sporadic falls of 10 basis points. Speculation that the Bundesbank could still follow Japan with an interest rate cut kept many investors on the sidelines.

The Bundesbank market balancing operation amounted to sales of DM 29.4m compared with sales of DM 52.6m on Thursday. The average yield on public authority bonds was unchanged at 5.39 per cent.

Amsterdam was devoid of excitement as most operators waited for the return of leading foreign bourses from their holidays.

MARKETS were closed in London and Tokyo because of a holiday.

Domestic concern over the guilder/dollar exchange rate persisted and Royal Dutch dipped Fl 1.10 to Fl 241.40 and Unilever dropped Fl 577.50.

Fokker closed Fl 3 down to Fl 49 in sharp reaction to the aerospace group's forecast that 1987 profits will be curtailed due to high development costs.

Brussels was inhibited by the slow pace of trading and the end of the two-week account.

Market bellwether Petrofina retreated BFr 50 to BFr 10,525 and leading chemical group UCB shed BFr 100 to BFr 9,600.

Zurich was steadied by a batch of good corporate results and bargain hunting.

Holderbank added SFr 25 to SFr 4,500 after some profit-taking

Milan finished mixed in moderate trading

Stockholm was pulled back from last week's peaks by profit-takers.

Paris was unsettled by weakness in the dollar and concern over a rise in domestic inflation for April.

Madrid turned sharply lower following the surge in local interest rates.

ASIA

Pressure grows against NTT ban

FOREIGN INSTITUTIONAL and individual investors are renewing calls for an end to the ban on their ownership of Nippon Telegraph and Telephone (NTT) shares with the second public sale of the shares scheduled for this autumn, *writes Shigeo Nishiwaki of Jiji Press.*

Shares in the privatised NTT were sold to the public at the per-share price of Y1.197m ($8,550) and listed on the first section of the Tokyo Stock Exchange in February this year.

The NTT share has hit a high of Y3.18m and is now trading in the range of Y2.9m to Y3m. Its market capitalisation, at Y45,700bn, is equal to some 11 per cent of the total market value of Y416,000bn for the 1,080 issues listed on the first section.

When the first tranche of 1.95m shares in NTT was sold, foreign fonds specialising in Japanese stocks and foreign institutional investors dearly wished to be among the buyers.

But Article 4 of the NTT company law prohibits "foreigners and corporations of which a majority of the equity is held by foreigners" from becoming shareholders.

Some foreigners are secretly trading NTT shares to earn capital gains, as ownership is not known to the issuing company if the owner fails to register his name in the stock ledger of the corporation. NTT shares traded in this way are estimated to be anywhere between several thousand and several million.

The Posts and Telecommunications Ministry, which supervises NTT, turns a blind eye to this activity. But foreign institutional investors cannot engage in covert trading which would mean virtual relinquishment of their shareholders' rights representing their ownership.

Hopes are now pinned on the possiblility that the authorities will allow foreign ownership of NTT share by the time the second tranche of 1,95m shares is sold this autumn.

The Ministry of Finance, hinting at an easing of the ownership rule, has said the step was up to the Posts and Telecommunications Ministry.

The Posts Ministry recently began reviewing Article 4 of the NTT company law, leading foreigners to anticipate a lifting of the ban starting with the second public sale of NTT shares.

In fact, the Ministry has denied the review was aimed at clearing the way for foreign ownership. It said it was considering at the Finance Ministry's request, whether underwriting of NTT shares by foreign securities houses would be permissible without alteration to the NTT company law.

The Finance Ministry has already decided to have the whole of 1,95m shares to be sold this autumn underwritten by securities firms. It now appears likely that foreign securities houses will participate in the syndicate of underwriters.

In the view of a senior executive at a major securities house, foreign ownership of 10 to 20 per cent in a Japanese telecommunications group would not affect the national interest.

But given the issue's high price-earnings ratio of 247, he pointed out, it is questionable how many NTT shares foreigners would actually buy if the ban on foreign ownership were removed.

AUSTRALIA

MINING and oil shares in Sydney rose on international concern about a possible rise in inflation. The All Ordinaries closed stronger at 1,765.4, up 12.6 on Friday.

BHP touched an early A$9.24, but fell back to end 14 cents up at A$9.18 on renewed speculation of a takeover bid.

Oil and gas producer Hartogen Energy jumped A$1.35 to A$4.80 on an unconfirmed report that the company had made a substantial oil discovery. This helped the oil and gas index make the biggest gain on the day, adding 45.6 at 962.1.

Gold firmed as bullion prices reached US$460 an ounce in Asian trade.

SINGAPORE

BARGAIN hunting alternated with profit-taking in moderate Singapore trading which left the Straits Times industrial index 4.55 points higher, at 1,131.98. The All-Share index eased 0.25 to 334.55.

Malaysians were mixed, but Cerebos added 35 cents to S$5.75. Among blue chips Haw Par was up 14 cents to S$4.34, Cold Storage gained 6 cents to S$3.98 and National Iron put on 10 cents to end at S$2.12. Most of the other blue chips finished virtually unchanged.

Selected speculative stocks and third liners continued to attract interest, with Lum Chang in the forefront trading about 5.6m units on a total market turnover of 38m. It moved ahead 5 cents to S$1.29. Faber Merlin put on 3½ cents to 75 cents

HONG KONG

EARLY weakness was overcome in sluggish Hong Kong trading. The Hang Seng index edged up 0.38 points to finish at 2,685.75, having dropped nearly 13 points in the first hour of trading, while the Hong Kong index gained 2.14 to 1,730.96.

The suspension of trading in shares of Hutchison Whampoa and HK Electric was the major corporate news of the day. They last traded at HK$51.50 and HK$13.30 respectively. Analysts said the suspension was requested after Union Faith, a jointly held unit of the two companies, sold its 4.99 per cent stake in Pearson PLC, the UK conglomerate, for HK$748m.

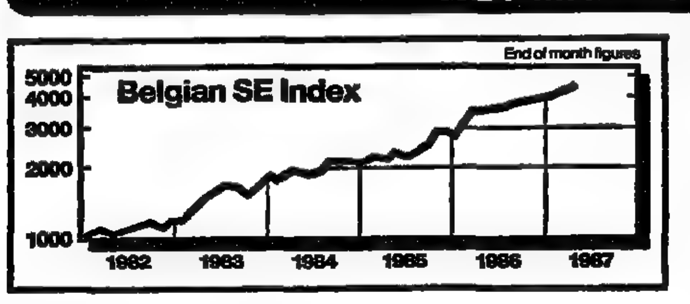
Their parent company, Cheung Kong, was in demand, rising 50 cents to HK$45.25.

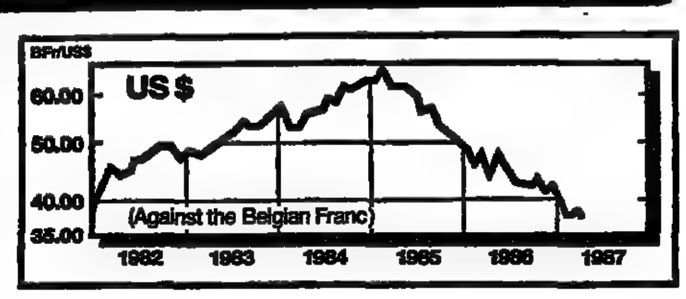
SOUTH AFRICA

GOLDS closed easier in Johannesburg, despite a rise in the bullion price on world markets, as a further increase in the financial rand, introduced by the Government as part of a package of exchange controls, pushed prices down.

Among the few movers Vaal Reefs lost R9 at R420 and Cons Modder shed 50 cents at R14. In mining financials, platinums and diamonds, Anglo American and Rustenburg both fell 75 cents to R77.25 and R51.25 respectively.

KEY MARKET MONITORS





STOCK MARKET INDICES

	May 4	Previous	Year ago
NEW YORK			
DJ Industrials	2,286.22	2,280.40	1,774.68
DJ Transport	924.22	916.45	786.56
DJ Utilities	203.59	202.10	181.41
S&P Comp.	289.36	288.36	234.79
LONDON FT			
Ord	(c)	1,626.9	1,374.0
SE 100	(c)	2,068.5	1,660.5
A All-share	(c)	1,032.48	807.46
A 500	(c)	1,151.10	885.12
Gold mines	(c)	444.4	250.9
A Long gilt	(c)	8.90	8.89
World Act. Ind (April 29)	129.43	128.02	90.29
TOKYO			
Nikkei	(c)	23,680.8	15,868.4
Tokyo SE	(c)	2,114.92	1,252.72
AUSTRALIA			
All Ord.	1,765.4	1,759.3	1,224.7
Metals & Mins.	1,173.4	1,160.9	518.4
AUSTRIA			
Credit Aktien	194.49	(c)	266.30
BELGIAN SE	4,606.22	(c)	3,585.31
CANADA			
Toronto			
Met.& Mins.	2,753.9*	2,699.5	2,121.0
Composite	3,716.8*	3,716.7	3,078.0
Montreal			
Portfolio	1,834.5*	1,838.28	1,573.78
DENMARK SE	199.40	(c)	241.35
FRANCE			
CAC Gen	452.60	(c)	388.10
Ind. Tendance	113.30	(c)	90.70
WEST GERMANY			
FAZ-Aktien	586.61	c	703.38
Commerzbank	1,776.1	c	2,138.4
HONG KONG Hang Seng	2,685.75	2,685.37	1,843.14
ITALY Banca Comm.	766.40	c	775.88
NETHERLANDS ANP CBS			
Gen	277.6	280.6	265.8
Ind	256.6	260.0	253.9
NORWAY Oslo SE	418.45	c	339.83
SINGAPORE Straits Times	1,131.98	c	573.38
SOUTH AFRICA JSE			
Golds	—	2,186.0	1,182.9
Industrials	—	3,836.0	1,104.4
SPAIN Madrid SE	219.43	c	184.51
SWEDEN J & P	2,745.20	c	2,207.45
SWITZERLAND Swiss Bank Ind	588.9	c	596.8

COMMODITIES (London)

	May 4	Prev
Silver (spot)	c	476.00p
Copper (cash)	c	£882.50
Coffee (May)	c	£1,302.00
Oil (Brent)	c	$18.60

GOLD ($/oz)

	May 4	Prev
London	closed	$451.75
Zürich	$457.75	$454.00
Paris (fixing)	$454.93	$449.95
Luxembourg	$458.05	$455.40
New York (June)	$465.25*	$456.50

CURRENCIES (London)

	US DOLLAR May 4	US DOLLAR Previous	STERLING May 4	STERLING Previous
$	–	–	closed	1.6690
DM	closed	1.7795	closed	2.975
Yen	closed	140.40	closed	234.5
FFr	closed	5.95	closed	9.9325
SFr	closed	1.4600	closed	2.4375
Fl	closed	2.0115	closed	3.3575
Lira	closed	1,274	closed	2,126
BFr	closed	37.05	closed	61.85
C$	closed	1.3375	closed	2.2345

INTEREST RATES

	May 4	Prev
Euro-currencies (3-month offered rate)		
£	n/a	9⅝
SFr	n/a	3[illegible]
DM	n/a	3[illegible]
FFr	n/a	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	closed	7⅞
6-month US$	closed	7⅞
US Fed Funds	6[illegible]*	6¼
US 3-month CDs	6.75*	6.65
US 3-month T-bills	5.55*	5.565

FINANCIAL FUTURES

CHICAGO

US Treasury Bonds (CBT) 8% 32nds of 100%

May 4	Latest	High	Low	Prev
June	90-24	91-22	90-19	91-26

US Treasury Bills (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	93.72	93.82	93.68	93.80

Certificates of Deposit (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	n/a	n/a	n/a	93.28

LONDON

Three-month Eurodollar $1m points of 100%

	Latest	High	Low	Prev
June	92.56	92.61	92.52	92.53

20-year Notional Gilt £50,000 32nds of 100%

	Latest	High	Low	Prev
June	126-07	125-17	126-04	126-01

US BONDS

Treasury

	May 4 Price	May 4 Yield	Prev Price	Prev Yield
7⅜ 1989	99[illegible]	7.607	99[illegible]	7.433
7 1994	93	8.344	94[illegible]	8.068
7¼ 1996	91[illegible]	8.50	93[illegible]	8.226
7½ 2016	87[illegible]	8.70	89[illegible]	8.47

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (May 4)	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.56	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	May 4 Price	May 4 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.38	6.60	93.29	6.25
SCBT South Central 10⅛ Jan 1993	104.00	9.96	104.25	9.90
Phibro Sal 8 April 1996	92.52	9.25	93.09	9.15
TRW 8⅜ March 1996	97	9.25	97.89	9.10
Arco 9⅞ March 2016	101.125	9.76	92.625	10.70
General Motors 8⅝ April 2016	94.0	8.69	85.50	9.62
Citicorp 9⅝ March 2016	93.66	10.05	95.45	9.85

Source Salomon Brothers

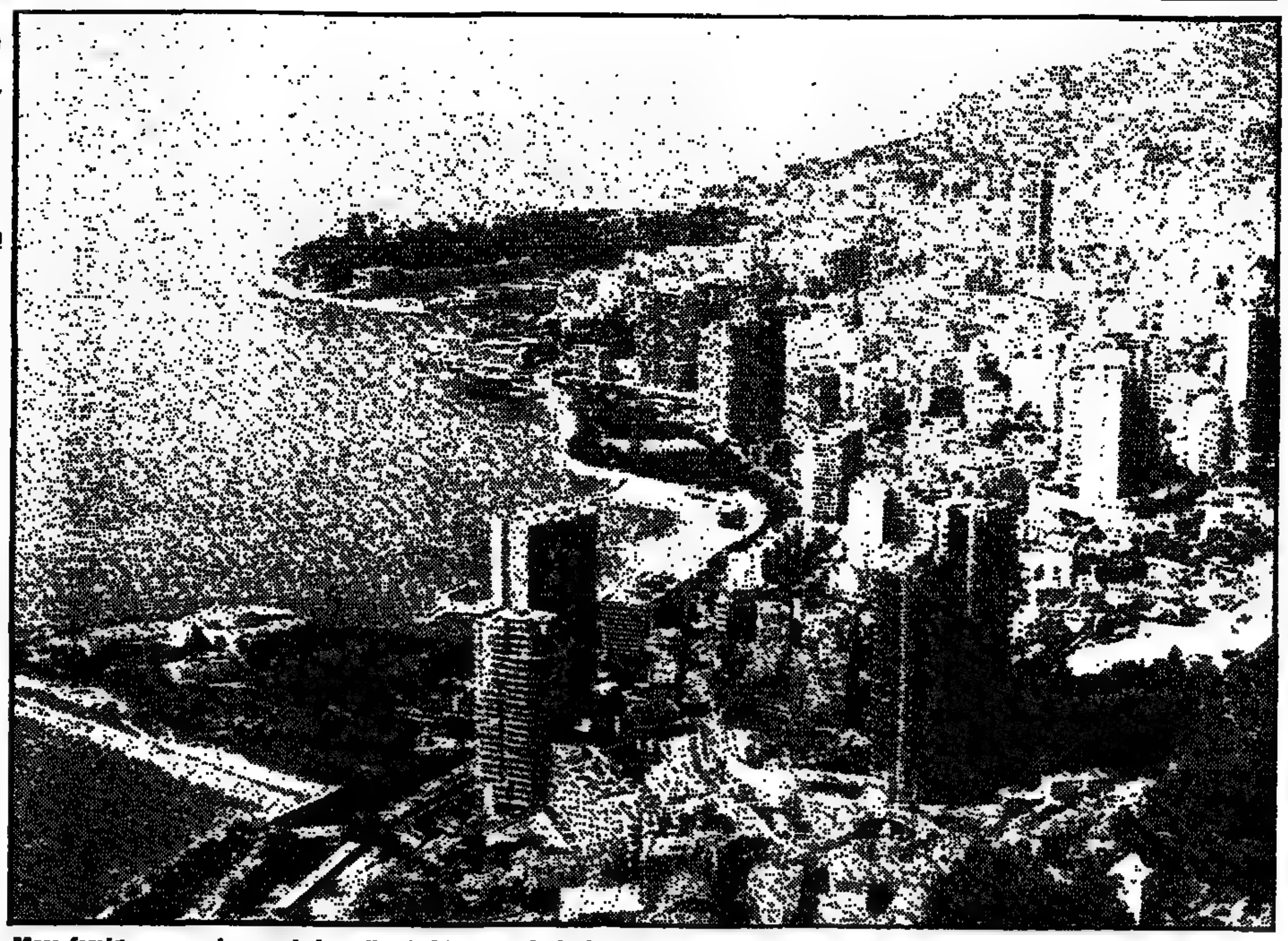
* *Latest available figures*

SECTION III

FINANCIAL TIMES SURVEY

Tuesday, May 5, 1987

Although the principality of Monaco remains a shelter for wealthy tax exiles, it has also become a venue for business conventions and a modern tourist industry. **Paul Betts,** who wrote this survey, says that Monaco could emerge eventually as an important offshore banking and financial centre.



More foreign companies are being attracted to the principality to set up offshore management centres.

Monaco

CONTENTS

Developing a new image

FOR A COUNTRY barely the size of New York's Central Park, the principality of Monaco has gained a worldwide fame out of all proportion to its one square mile of land and its population of only 28,000 inhabitants.

That this postage stamp sovereign state should attract so much interest and attention is hardly surprising. The irresistible combination of its fairy tale setting in one of the most picturesque corners of the Riviera, a sovereign prince with 12th century family traditions and the glamour of a Hollywood movie star, an heir who is one of the world's most eligible bachelors, with two beautiful sisters featuring virtually every week on the cover of one glossy magazine or another, a legendary casino and luxury hotels which have hosted grand dukes and shipping tycoons, a tax climate to match its Mediterranean sunshine—all have contributed, with the help of modern communications, to putting this tiny country on the world centre stage.

Yet, although it is tempting to look upon the principality in terms of a standard set of colourful clichés, the past 30 years have seen the transformation of Monaco from an anachronistic and fading gambling resort into a modern tourist and business centre. Yet, in the process, it has not lost those peculiar characteristics which have turned it into a museum piece of sorts.

To the first time visitor, the principality often appears a small homogeneous unit, an affluent city state on the shores of the Mediterranean. A closer look, however, reveals that it is made up a variety of different elements, some contradictory, yet all seeming to live with each other in relative harmony.

The modern high rise buildings which dominate the Monte Carlo skyline, and attest to the building boom of the past 20 years, sit next to the palm court architecture of the casino and the old hotels, giving the principality the trappings of a mini Manhattan. The patrons of the luxury hotels now live alongside thousands of day trippers who spill out of coaches every day to play the slots and visit the principality's sights. The old casino has also had to adapt itself to modern American games.

Although Monaco still remains a shelter for wealthy foreign tax exiles, it has also become the home for a growing number of trading and service businesses and small industries. Foreign companies have been attracted to the principality to set up offshore management and administration centres, while the major international banks have queued up to open branches in the tiny state.

All this activity has brought into Monaco a new and growing population of younger business managers and cadres. At the same time, the number of business convention and congress visitors has been steadily increasing, as Monaco has diversified its tourist facilities and infrastructure.

With an annual budget of nearly FFr 2bn, no state deficits and no unemployment, few would dispute that Monaco is a well managed and efficient little country. Prince Rainier III, who succeeded his grandfather in 1949, and, during the past 38 years the architect of his country's evolution, has often been compared to the head of a flourishing business enterprise, Monaco Inc.

The size and fame of Monaco has also posed for the principality a big public relations headache. "The prince and the Monagasque authorities have recognised that a country with an image of earning its living off the green tables of the casino, tax exiles and luxury did not go down well with the public at large," explains one of Prince Rainier's aides.

At the same time, Monaco has been anxious to preserve its political and economic independence. "But it cannot be defended with arms, since it has no army, and it can only ultimately be defended through the good will of others, and this can hardly be generated from a country with an image of greed and wealth," he adds.

Prince Rainier has been aware of this problem for many years and has made great efforts to change the image of Monaco. "I would like to be remembered as the person who corrected and got rid of the bad image and bad legend of Monaco," he recently said in an interview with the Financial Times.

The first image he wanted to rid Monaco of, he explained, was that the casino was the main source of activity and that it was from the casino earnings that everything came and was done. That impression has now, indeed, vanished.

Although the casino remains a major attraction, gambling now accounts for less than 4 per cent of Monaco's annual state income, compared with 95 per cent at the end of the last century. Instead, the biggest contributor to the state budget today is value added tax receipts which account for as much as 55 per cent of annual state revenues.

The second image that Monaco has sought to eliminate is that of a fiscal paradise. Indeed, it was this reputation which in 1962 provoked the only serious post war clash between the principality and the French government. Although there had been a build up of irritation between Monaco and Paris over the bankruptcy of a local bank and control over Radio Monte Carlo, the spark which fired the dispute was French hostility to Monaco's fiscal system.

"The French authorities were after the French living in Monaco and not paying any income-tax," said Mr Jean Charles Rey, the president of Monaco's national council (parliament) and one of the key negotiators of the subsequent fiscal convention between Paris and the principality.

Under the tax convention, all French nationals residing in Monaco after 1957 had to pay French income-tax. But Monaco citizens and foreign non-French residents have continued to benefit from the absence of income tax as well as other levies, such as capital gains tax and corporate tax (providing not more than 25 per cent of a company's turnover is done outside Monaco).

Although Monaco does levy indirect taxes, corporate taxes, (in the circumstances outlined above) and other duties, it remains, for non-French nationals, at least, a tax haven. "But the last thing we want to do is to go round shouting about it," remarked a local resident. And so Monaco now plays down its tax haven image preferring to describe itself as "a tax-efficient centre."

But its fiscal advantages, as well as its sunny climate and other facilities, have undoubtedly played a major role in attracting wealthy foreign residents. Today there is no longer a majority of French nationals in Monaco. From about 55 per cent of the population 20 years ago, the French contingent now accounts for only about 45 per cent of its inhabitants. This could pose in the longer term a political problem for Paris, suggests Mr Jean Deflassieux, the former chairman of Credit Lyonnais who has close family ties with the principality.

Mr Deflassieux also believes France has not made as good use of Monaco as it might have. According to the former chairman of France's second largest commercial bank, Monaco could be a flexible vehicle for France for large capital movements Monaco already acts as a locomotive for the whole neighbouring French region, even though it is surrounded by a so-called red-belt of Communist run local communities.

"Its a natural reaction, but local relations between the various communities are generally good," remarked a Monagasque resident. Moreover, the internationalisation of Monaco in recent years has also been good for France, sys Mr Rey, since all the economic and foreign currency movement generated by Monaco end up going into the French monetary circuit, making the principality an important source of invisible earnings for France.

"Monaco is not a chorus girl which needs to be kept by France. It is a country which earns its living well and provides a high value added contribution," says Mr Rey.

Indeed, since President Francoise Mitterrand came to power, relations with France have been better than ever. Mr Mitterrand, who represented France at Prince Rainer's wedding with Grace Kelly in 1956 when he was justice minister, paid an official visit to the principality three years ago and emphasised the friendly and close ties between the two countries.

Under President Mitterrand, Monaco has also finally gained official recognition of its territorial waters. Although the principality does not need territorial waters as such, the French decision is psychologically important because it recognises Monaco's independence as a sovereign state.

During President Mitterrand's visit, there was some discussion on making Monaco a more active offshore banking and financial centre and on a possible revision of the bilateral tax treaties. But at this stage it seems highly unlikely, and politically improbable, that France will consider a change in the tax convention to enable more favourable treatment for French longer term residents of Monaco. However, with the gradual elimination of French foreign exchange controls, Monaco could emerge eventually as a more important offshore banking and financial centre.

For the immediate future, Prince Rainier appears to be banking on continuing with his policy of strengthening and diversifying the principality's tourist sector at the same time as diversifying the Monagasque

Continued on page 5

Casino, leisure and property interests give one company a dominant role in Monaco's life

Optimism over long term interests

THE PRINCIPALITY of Monaco has often been described as a "*state within a company.*" Not surprisingly since the tiny country owes much of its prosperity and development during the past 100 years to the Société des Bains de Mer et Cercle des Etrangers à Monaco or the SBM for short.

This ubiquitous establishment 69 per cent controlled by the state of Monaco, the shares of which are quoted on the Paris bourse, owns a large and valuable chunk of the principality's precious territory. It owns the famous casino and opera, the luxury Hotel de Paris and the Hotel Hermitage, the casino gardens and the Cafe de Paris, the winter and summer sporting clubs, the Monte Carlo Beach, *the tennis club and the golf* towering above the little country with breathtaking views of the Mediterranean. It also runs a host of other facilities like *night clubs, restaurants, and a* new conference centre.

It was after all this company, and its original founder Francois Blanc, a 19th century *genius of the luxury leisure* trade and an early pioneer of modern tourism development, that launched *Monte Carlo* on the international map. Before Prince Charles III of Monaco entrusted a gambling monopoly *to Blanc, who formed the SBM* in 1863, and renamed three years later the piece of land called the pleateau des Spelugues Monte Carlo, the principal*ity had long struggled to make* ends meet. Indeed, some local history books refer to an old poem about Monaco before the little country transformed itself into the world's most famous gambling resort during the second half of the century stating: "I am a rock. *I do not sow* nor do I harvest. And yet I want to survive."

On the plateau des Spelugues rose the casino, the Hotel de Paris and the Hermitage, and the gardens which all constitute today the heart of what has become known as the "golden square" of Monte Carlo. By 1869 already 170,000 tourists descended on Monte Carlo. But if the casino and all its related *activities once constituted the* bulk of the principality's revenues, times have since changed. Not only does gambling now account for less than 4 *per cent of Monaco's overall* annual revenues, but the casino and the SBM have had to adapt *themselves to the radical* changes in the general economic and tourist environment.

The biggest change is perhaps *reflected in the evolution of* gambling from European games like Roulette, Trente et Quarante and Baccara to American games like Black Jack, Craps and American Roulette, as well as electronic slot machines. The figures tell the story eloquently enough. While the Monte Carlo casino was once the main profit centre of the SBM, today it loses money. The casino lost FFr 30.7m in the 1985-86 fiscal year, after losing FFr 12m the year before.

Meanwhile, the American games have kept growing. The casino at the modern Loews hotel, jointly controlled by the SBM and the American hotel chain, has seen its profits rise in recent years. A large *dark noisy* glittering room modelled on the casinos of Las Vegas, the Loews casino contributed FFr 44.6m in profits to the SBM last year *more than offsetting* the losses from the traditional casino. Moreover, the old casino has also been forced to adapt itself to modern American games. But the American games and the slot machines which have invaded the casino's marvellously ornate "soup kitchen" sit unhappily in Monaco's most *famous establishment.*

As for the casino's clientele, it is the Italians who are today by far the biggest customers accounting for as much as 60 per cent of the gamblers sitting around the green cloth of the Monte Carlo tables.

At the same time as the old casino started to lose money, the SBM launched a major effort to make the group's hotels, traditional loss makers, into money earners. The renovation programme of the SBM hotels was started over 10 years ago and has been accelerated since Mr Andre Saint-Mleux, a French career diplomat who was for nine years the Secretary of State of the principality, took over as chief executive of the SBM. Mr Saint-Mleux says that FFr 200m has already been spent in the renovation programme involving, among other investments, the refurburishing of the Hotel de Paris and the Hotel Hermitage to accommodate a new, younger, business clientele as well as its traditional guests. The hotels have been adapted to the demands of modern business executives and participants to the thriving new congress business in Monaco without losing their old world charm.

The revamping of the SBM has enabled the group's hotels to operate profitably for the first time in their history in 1984-85 when they reported a profit of FFr 2.6m. The following year the profits rose to FFr 7.9m although the story will be different this year. The SBM hotels like other luxury hotels on the Riviera, and in France in general, have suffered from the slump in American tourists last season as a result of the declining dollar, the terrorist attacks in Europe and a domestic campaign in the US to encourage Americans to go to US or dollar zone tourist resorts.

"The decline in the number of Americans coming here will have a substantial impact on our business," acknowledges Mr Saint-Mleux. He estimates that it will represent a 10 per cent drop in the occupation rate of the SBM hotels. This had steadily risen from about 50 per cent 20 years ago to an average of 65-67 per cent in recent years. The occupation rate for the latest season is expected to fall back to the 54-55 per cent level. In turn this will have an inevitable impact on the financial performance of the SBM this year. After reporting net earnings of FFr 19.8m on sales of FFr 1bn in the 1985-86 reporting year, Mr Saint-Mleux expects the SBM to break-even this year reflecting the slump in American tourist activity.

But the company remains optimistic about its longer term prospects. Indeed, although the SBM has decided to delay the refurbishing of one wing of the Hotel de Paris, the so-called Beaux Arts wing, the group is pursuing its ambitious investment and renovation programme designed to make its facilities and the principality an attractive magnet for both luxury tourism and business visitors. From his window in his offices in the winter sporting club, Mr Saint-Mleux has a perfect view of the massive demolition and reconstruction work going on in the casino gardens.

The Cafe de Paris is being demolished for the fourth time in its history. Once rebuilt it will again act as one of the most popular watering holes of Monte Carlo opposite the Hotel de Paris and next to the casino. It will also house a drug store and the electronic slot machines and American games now in the casino to liberate the venerable building from these modern games and return it to its former more composed traditions of 19th century high society. Even though there are few grand dukes and Russian princes left with the means to come to Monte Carlo, the SBM and the Prince want to see the casino become again a historical gambling and cultural pole for Monte Carlo.

"The slot machines never fitted in the casino. The place is a historical building and that is what it should be regarded as," Prince Louis de Polignac, a cousin of Prince Rainier who ran the SBM until 1982 remarked once at a party. He is still honorary chairman of the company although Mr Saint-Mleux has now taken over as chief executive.

Mr Saint-Mleux wants to see the casino become once again an artistic and cultural centre for the principality. The opera and ballet activities have been considerably boosted while artistic events as well as business congresses and special festivals have also helped provide added attractions around the casino. This spring a splendid exhibition of sculptures has been organised in the gardens of the casino, and certain landmarks of the principality, reflecting the SBM's and Monegasque authorities' efforts to diversify attractions for visitors and residents.

The gardens in front of the casino itself are also in the throes of major renovation. The SBM has recently sold for a symbolic franc the ground under the gardens to the Monegasque state which is now building a huge underground car park. The SBM has other plans including the construction of a new hotel on the man-made peninsula on which stands the summer sporting club.

The fact that the Monegasque authorities have just renewed for another 20 years the SBM's casino gambling monopoly is an eloquent demonstration of the principality's confidence in the central role which the company will continue to play for both Monaco's economy and the international image and reputation despite its seasonal problem last year due to the decline in American visitors. Even though gambling may no longer represent a major part of Monaco's annual revenues, it remains a key attraction.

Moreover, the SBM continues to make a significant if not dominant contribution to the international marketing of the principality as well as being a major direct and indirect employer. The SBM has about 2200 people on its staff and provides indirectly employment for many more, in a country with a total population of 27,000 people. In some respects, its "social role" in the principality explains its higher than average labour and running costs which in turn are one of the reasons why the casino has been losing money and why the hotels used to as well. "Every Monegasque family has some stolen lines from the Hotel de Paris in his home, remarked an old Monegasque.

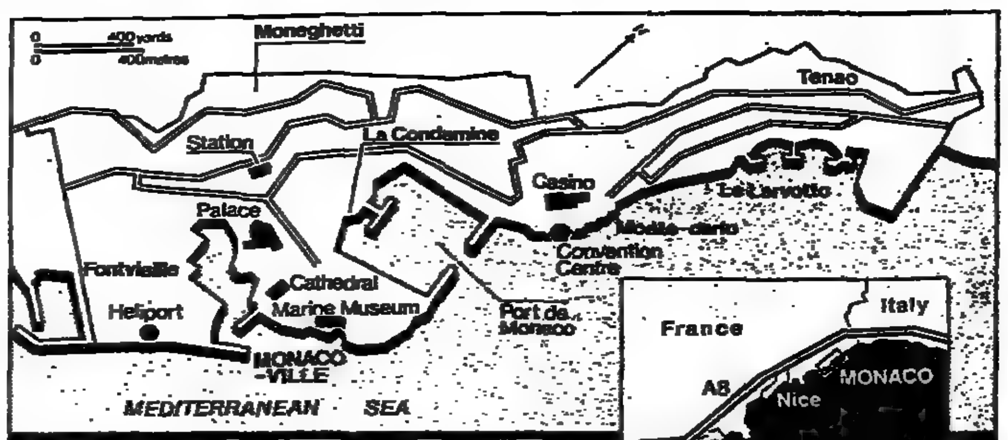
Although it has had its casino monopoly renewed, the SBM will no longer control as in the past other popular gambling activities like lotteries, the loto, and other betting games. These will now be directly run by the state. Mr Saint-Mleux said this seemed a rational decision since in France and many other countries lotteries, horse betting and the pools are all usually controlled by the state. "There was no reason why Monaco and the SBM should continue to be the exception," he remarked.

At the same time, the Monegasque authorities will set up for the first time a gambling commission in Monaco to regulate the gaming business. In the past, the SBM was itself responsible for its own self-regulation. Again, Mr Saint-Mleux believes this was a logical step since other countries have commissions to regulate gaming as well as many other activities.

For Monaco, the preservation of its untamed reputation as a clean and high class gambling centre has always been crucial. This appears to be one of the main reason why the SBM has recently decided to take legal action against the newly formed Societe des Bains de Mer de Nice (SBMN) which was granted permission to reopen this Spring the casino Ruhl nearby on the Promenade des Anglais in Nice.

The Ruhl has been at the centre of what has become known as the "casino war" of Nice during the past ten years. It was closed in 1982 by the French authorities after a major scandal which included a series of unsavoury incidents worthy of a "B" movie crime picture. The SBM clearly has objected to the risk of being confused with the new company in Nice, all the more so on account of the shady background of the Nice casino scene.

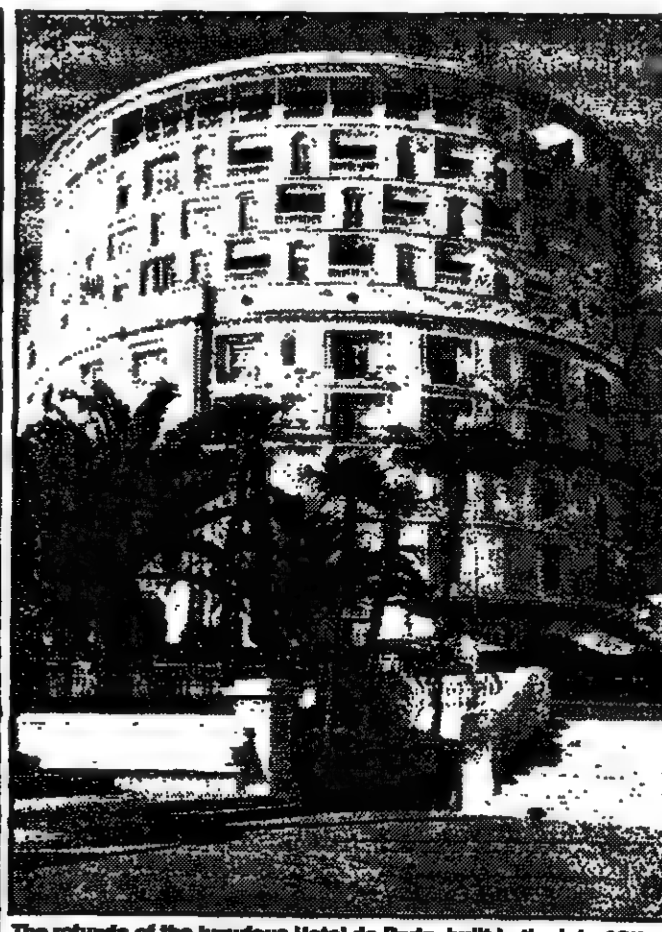
"We clearly object to their use of the Societe des Bains de Mer reference in what appears to be a deliberate attempt to try to take advantage of our good name. Indeed, I've received several telephone calls of people asking me if we were in any way connected with the Nice casino," remarked Mr Saint-Mleux. But the SBM chief executive also adds that he has no objection to fair competition between rival casino and tourist resorts on the Riviera. Indeed, he suggests such competition can only enhance the SBM's overall performance, the gambling receipts of which still makes it the leader among European casinos.



Monaco, located on one of the picturesque parts of the Riviera, is a tiny sovereign state of only 28,000 people — yet with the help of modern communications, is very much on the world map.

Prince Rainier III, who will be 64 this month, succeeded his grandfather in 1949 and, in the past 38 years, has become the architect of his affluent country's evolution. He has often been compared to the head of a flourishing business enterprise — "Monaco Inc."

André Saint-Mleux, SBM's chief executive; and, right, the circuit of the Monaco Grand Prix winds through the famous Casino Square.



The rotunda of the luxurious Hotel de Paris, built in the late 19th century in the 'belle epoque' style to the design of the famous architect, Charles Garnier. The hotel is managed by the Société des Bains de Mer (SBM) which also owns the Casino and Opera as well as many other leisure, sporting and conference facilities in Monaco.

Tax haven policies

'A fiscal paradise for foreigners'

THE LONDON stockbrokers, Phillips and Drew, threw a small party the other day in a suite of the Hotel de Paris for local bankers and foreign residents whom fund managers like to describe these days as "high net worth private individuals." One of the guests, a long-standing British tax exile said that such cocktail parties were becoming a regular fixture in Monte Carlo as bankers, fund managers and brokers increasingly compete to provide services to rich individuals and companies established in the principality.

Although Monaco is rather coy about its reputation as a tax haven, the British tax exile remarked with a chuckle clutching his glass of champagne: "Who do they think they are kidding."

For years Monaco has attracted wealthy foreigners and businesses because of its favourable tax climate as well as its sunshine, its blue Mediterranean sea, and its numerous other natural assets. "Whatever they may like to say, this is a fiscal paradise for foreigners."

"Anyone who is not French can live here with a carte de séjour or residence card and he won't be paying any income tax," said another British businessman who has taken up residence in Monte Carlo. "What is more, this is a sophisticated and convenient place and with modern communication equipment you can run a worldwide business empire from a sunny balcony in Monte Carlo," he added. But the Monegasques prefer to regard themselves as a "tax efficient centre" rather than a tax haven as such.

Taxes in Monaco were abolished by an ordnance in 1869 three years after the birth of Monte Carlo. But after Prince Rainer's dispute with France in the early 1960s, a tax convention was signed by France and Monaco on May 18 1963 which introduced French income tax for all French nationals resident in Monaco after October 13 1957. Moreover, the convention instituted a tax on the profits of certain industrial and commercial enterprises.

However, the bilateral tax agreement with the French Government continues to exempt Monaco citizens and non French foreign residents from income tax. At the same time companies whose turnover outside the principality does not exceed 25 per cent of their total turnover are also exempt from corporation tax. The current rate of corporation tax is 35 per cent on normally computed profits. There are also no capital gains taxes in Monaco.

Although Monaco levies value added tax, registration fees, stamp duty and certain other miscallaneous taxes, another major attraction of the principality's fiscal regime is the absence of estate or death duties between husband and wife and between parents and children. The maximum death duty paid by unrelated individuals is 16 per cent, while between brothers and sisters it is 8 per cent, between uncles or aunts, nephews and nieces 10 per cent and between collaterals other than brothers, sisters, uncles, aunts, nephews and nieces it is 13 per cent.

These favourable rates are also applicable to French nationals who have resided in Monaco for at least five years on their assets held in the principality. Indeed, this is perhaps the last fiscal advantage left to French nationals residing in the principality since October 13 1957. Resident French nationals before that date continue to be exempt from French taxes and are treated like other foreign residents of the principality.

Monaco's fiscal system has enabled the principality to transform itself quietly and discreetly into a leading offshore business centre as well as a tax haven for wealthy foreign non French individuals. It is no coincidence that tennis stars like Bjorn Borg or Boris Becker have decided to take up residence in Monte Carlo and that numerous Italian, Greek, British, Lebanese, to name just four countries, so-called "high net worth" individuals have made the principality their base.

Among businessmen it was the Greek shipowners who were among the first to take advantage of the principality's tax system to set up Monaco based entities to manage and administer offshore companies. "Foreign shipping groups were among the first to use Monaco as a headquarters to manage and administer foreign companies. Since then, however, numerous other industrial, commercial and trading groups have been attracted by Monaco to set up management bases," remarked a Monaco foreign business consultant.

But if Monaco has encouraged foreign groups to set up management and administrative offshoots or headquarters in the principality, it has made it clear that it is opposed to the mailbox approach adopted by certain other tax havens.

The principality insists on the tangible presence of its offshore corporate population. Indeed, it is keen to see business organisations operating within its jurisdiction as long as they make a valid and real contribution to the principality's economy.

Mr David Tugman, president of the Monaco subsidiary of Moore Stephens, the international auditors and consultants, warns that not only is the mailbox approach "anathema" to the Monegasque administration but that the fiscal authorities have always reserved the right—albeit rarely, if ever, exercised—to regard offshore management as onshore "where a pure facade situation exists."

Monaco's attitude towards offshore business management reflects the prinicipality's concern not to provoke the French administration by what Paris could deem as possible abuses in their bilateral tax agreements, at the same time as ensuring, by the presence of foreign business and offshore management companies, a further stable base for the principality's longer term economic development.

After all, these companies make a significant contribution to employment in the principality, as well as providing a round the year population of well paid management cadres and executives.

The fact that Monaco is fully integrated in the French monetary system and therefore comes under French exchange control regulations has acted as an inevitable break to a more rapid development of the principality as an offshore business centre. "Exchange controls are clearly a handicap but they are steadily being reduced and eventually will be dismantled by the French authorities," said a local Monegasque businessman.

Already the deregulation changes that have been taking place in the French financial markets during the past few years have been welcomed by the international business community. This appears to be prompting an increasing number of foreign business concerns to look with growing interest at the possibilities Monaco can offer them.

"With the deregulation of markets and the easing of exchange controls, foreign companies and businessmen could find Monaco an increasingly attractive centre to set up a subsidiary or management base. Some are already investing here in what seems to be an effort to position themselves for the future," added another long-term Monaco businessman.

"But to be able to hook the big corporate fishes to Monaco, the authorities will have to consider providing in the principality the necessary international business management services and supports crucial for big corporations which are still lacking here. In particular, they will probably have to think of opening the place up more to big international legal firms and auditing and accounting groups," he added. **Paul Betts**

The narrow streets of Monaco, near the Prince's Palace: the Monegasques prefer to regard the Principality as a 'tax efficient centre' rather than a tax haven, as such

Financial services

World banking links are strengthened

FOR A COUNTRY with only 27,000 inhabitants, there are an unusually large number of banks in Monaco. With the recent opening of the new Monaco branch of Credit Suisse, there are now 34 different banking institutions in the principality including virtually all the big international names in the world of commercial and investment banking.

The total amount of deposits which filter their way into the Monegasque banks is also remarkable in proportion to the size of the principality. Deposits last year totalled as much as FFr 25bn ($4.1bn) compared with barely FFr 32bn for the entire neighbouring French region of the Alpes Maritimes which includes large cities and resorts like Nice and Cannes.

Another telling statistic of the Monegasque banking scene is the fact that total credits made by the local banks amounted last year to under FFr 5bn.

"We are a big deposit centre here attracting a major amount of foreign deposits. Apart from some real estate, construction and a little lending to industry, there is not that much lending activity here," explained a local banker.

But if the Monegasque banking and financial services industry has grown steadily over the years, the principality has so far not become a major offshore banking centre as have done other small countries offering a favourable tax climate. This is largely because the principality comes under the jurisdiction of the Banque de France and French exchange controls.

The Monegasque authorities have long argued the case of promoting Monaco as an offshore banking centre. "But we could only do it if it was also in the interest of the French Government, which I think it would be," explained Prince Rainier.

Mr Jean Deflassieux, the former chairman of Credit Lyonnais, France's second largest commercial bank, and a man with close family connections with the principality, says France has made bad use up to now of the principality.

He argues that Paris could have used Monaco like the British used Hong Kong, suggesting that it would be useful for France to have a flexible vehicle like the principality to manage large capital flows not far away from Paris.

Moreover, Monaco has always made sure to maintain a clean reputation as a banking centre. "There are no illegal operations here and no dirty money," said a foreign banker. "We do not touch any suspect money here although we are close to the Italian border and to Nice and Marseilles," remarked another banker.

As well as having a good reputation, Monaco has also managed to attract substantial foreign funds and hence become a major source of invisible earnings for France thanks to its fiscal system. "This is an offshore tax efficient centre," said a local banker.

"Unlike some other offshore centres, you can also live with your money here in great security and comfort provided you are prepared to live one on top of the other in a flat on account of the space limits of Monaco."

In the circumstances, bankers and fund managers see potential for Monaco to develop in the longer term more into an offshore banking and financial centre with the gradual elimination of French exchange controls. All the bankers refer to 1992, the date of the unified European market, as opening new possibilities for Monaco which they regard as already offering numerous ingredients to turn it into an international financial centre.

However, its development as an international financial centre is bound to be limited, they acknowledge, because it is highly unlikely that Monaco will ever develop into a bourse centre. But it could play a bigger role in foreign currency dealings.

Indeed, when President Francois Mitterrand came on an official visit to the principality three years ago, bankers had suggested the possibility of making Monaco into a Eurofranc centre especially since the French authorities had decided to reopen the Eurofranc bond market.

But until foreign exchange controls are completely dropped in France, there is little chance to see the principality develop in the shorter term into a major offshore banking centre. In contrast, however, the principality is already developing into an important business meeting centre for bankers, brokers and clients. With its climate and facilities, it is likely to continue growing as an international meeting place for bankers and businessmen as well as providing the local banks with a flourishing deposit and portfolio management activity for wealthy individuals.

"All the big banks feel it is useful to be here," explained a local banker. Indeed, all the big French banks, US banks like Chase Manhattan and Citicorp, Swiss banks and Italian banks are all present.

Among the British banks, Barclays and Lloyds have been in Monaco for more than 60 years and International Westminster has installed itself in luxurious premises in the newly rebuilt Metropole complex.

Barclays is also rebuilding its main branch in Monaco directly opposite to the casino in the style of its original building. Indeed, Monaco has become for Barclays its second biggest branch after Paris in the French zone.

One country at present absent from the Monaco banking scene is West Germany. Although a West German bank has applied to open a branch in the principality, the Monaco authorities have turned down the application.

A banker explained that Monaco was keen to ensure competition in its local banking sector and wanted to see at least two German banks opening branches or subsidiaries in Monaco before granting the necessary permits. The case of the German bank also reflects the close vetting procedures of the Monegasque authorities before allowing companies and businesses to set up operations in the principality.

Although a considerable number of banks have already opened branches or subsidiaries in Monaco, bankers say that there are several more applications on the stocks. "Everybody seems to be here, especially to position themselves for what might happen after 1992," remarked an international banker.

Diversity in tourism

New policies are paying off

TOURISM REMAINS a dominant force in the economy of Monaco. Even though the principality has successfully diversified into new economic activities to avoid "putting all our eggs in the same basket" as Prince Rainier likes to say, tourism still accounts for 25 per cent of the country's gross domestic product.

It is also likely to continue to be a locomotive for the future development of the country.

But tourism is also a fragile and fluctuating business, Prince Rainier acknowledged in a recent interview with the Financial Times. And Monaco has had to adapt itself to the changing whims of the tourist industry during the past 100 years.

Monaco started becoming a flourishing resort in the second half of the last century after the Société des Bains de Mar was created and the casino and the hotels were built in Monte Carlo. But in the beginning, Monte Carlo was essentially a winter resort.

All this, however, changed when winter sports started becoming increasingly popular and tourists and visitors started seeking out hot seaside resorts for the summer rather than warm wintering holes.

"It meant that all the equipment and infrastructure of the principality had to be rethought and redone," explained Prince Rainier who soon after his accession to the throne in 1949 launched the first of a series of ambitious infrastructure and public works programmes to adapt the principality to the new economic environment and summer tourist demands.

One of his first decisions when he succeeded his grandfather was to remove the railway line, which divided the principality in two, diverting it through an underground tunnel. This cleared the ground to build the new Monte Carlo sea front or "bord de mer" with its artificial beaches, its residential buildings and hotels and the new summer sporting club. His marriage to Princess Grace in 1956 also gave tourism a new lease of life in Monaco and once again placed the principality in the international limelight.

But Monaco also had to adapt itself to a new breed of tourist. "The old image was that Monte Carlo was a watering hole for the rich and idle. But Monaco all of a sudden had to wake up to the fact that wealth and exclusivity were not necessarily synomymous," explained a leading business consultant with a long experience of the Riviera and the principality.

"Suddenly there were a lot of exclusive people who did not have the money any longer to maintain their exclusive life style and a lot of other people who had come into money but were perhaps not all that exclusive. The question was whether Monaco was going to remain exclusive but risked finding itself with a lot of bounced cheques or adapt to the change."

Inevitably, a far broader cross section of tourists started coming to Monaco. Day trippers and buses arrived in increasing numbers to play the slots in the casino or visit such popular attractions as the spectacular Oceanographic Museum on the rock near the Palace or the Jardin Exotique, a remarkable hung garden with an extensive collection of cacti.

These tourists would cohabitate with the wealthier customers of the Hotel de Paris, the glittering galas, Monte Carlo Beach club whose entrance fees once prompted a BBC journalist to suggest that you even had to pay for the air in Monte Carlo.

Coupled with the new mix in its tourists, Monaco was also forced to adapt to the main social changes which affected France and inevitably spilled over into the principality after the 1968 French student revolt. "All of a sudden the whole social structure had to be revised," explained another analyst.

"Minimum wages appeared in France and the local unions here naturally wanted parity with Paris. But tourism was still essentially a seasonal business down here. But with minimum wages it was necessary to run the place on a 12 months basis to make it viable."

Monaco thus looked for ways to diversify not only its economy as a whole but also its core tourist business. The aim was to fill up the dead seasons after Christmas and the New Year in February and March and even April. November too was a bad month.

The solution was a policy to develop the principality as an important centre for business conventions and congresses. Facilities were built to attract and accommodate congresses. The policy has proved extremely successful and Monaco now attracts about 40,000 convention visitors or more a year who have now replaced the Grand Dukes who came to winter in the past.

Moreover, the principality plays host to an increasing number of big international congresses and events like a television festival which have helped the country to boost substantially the hotel occupancy level during the dead seasons, turning Monaco into what one promoter called "an all-season resort."

The principality has also made great efforts to extend the range of attractions for the 250,000 or so annual visitors who spend an average of between three to four nights in the country's hotels. "People coming here for the first time are astonished to find that so much is going on at the same time in Monaco. And we plan to keep this up," said Prince Rainier.

Apart from the sporting and leisure facilities of the principality, events like the Formula 1 grand prix, the international tennis and golf tournaments, arts and music festivals, to name just a few annual events have enhanced the appeal of Monte Carlo and Monaco as a tourist centre.

But like other European resorts, Monaco was also hit during the last summer season by the slump in American tourists coming to Europe as a result of the fall of the dollar, terrorism and Chernobyl. The number of American summer tourists was between 75 per cent-80 per cent lower last year in Monte Carlo.

The impact of this fall was all the more felt since Americans had become the single largest group of visitors to the principality in recent years accounting for 23.5 per cent of all tourists followed by the French (15 per cent), Italians (14 per cent), the British (9 per cent), and then the Germans, the Swiss and the Japanese.

The frail nature of the tourist business reflected by the events of last summer have prompted some further hard thinking on the part of Monaco's tourist officials and promoters. While efforts had been made in the past to develop an American tourist business, helped considerably by the presence of the late Princess Grace, the principality now appears intent in boosting its promotional efforts in adjoining European countries and new markets.

At the same time, it also plans to encourage not only very high income visitors but middle income ones to come to spend a holiday in the principality. For this reason, a new three-star hotel will be built in the new development of Fontvieille to diversify further the range of totel and tourist facilities in the principality.

While other resorts on the Riviera have developed convention and congress facilities and stepped up their promotional and marketing efforts, the Monagasque authorities see the real challenge in the future coming increasingly from far away resorts like the Caribbean.

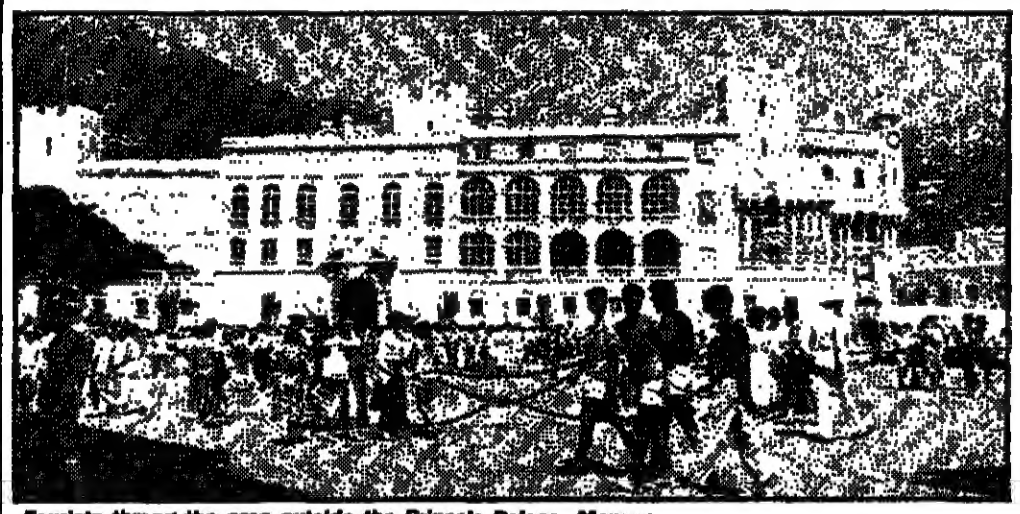
Prince Rainier says he is very anxious about the competition from these distant resorts which have become accessible to an increasing number of people because of the decline in the price of air travel. He is thus keen to improve even further the quality and range of the facilities and tourist attractions of his country to meet this new and growing competition from tropical or exotic resorts.

He has encouraged the SBM to boost its marketing efforts at the same time to improve its overall facilities while reserving Monte Carlo's "Belle Epoque" charm. "The touch of the past which is a peculiarity of Monte Carlo must be emphasised and kept up," he explained.

Prince Rainier also has another project up his sleeve to diversify further and expand the country's tourist sector. His plan is to enlarge the harbour of Monte Carlo to accommodate medium-sized cruise ships which at present cannot stop at Monaco because of inadequate facilities and therefore dock elsewhere.

With signs that the European cruise business is picking up again, the project to attract passing cruises to Monaco would be yet another way of rotating the 3m visitors which come in and out of the principality each year even though only about 250,000 actually stay and spend the night.

One of Monaco's more traditional attractions: the Ceremonial Guard outside the Prince's Palace at Monte Carlo. The principality has made great efforts to extend the range of attractions for the 250,000 visitors who arrive each year.



Tourists throng the area outside the Prince's Palace, Monaco.

Industrial enterprises

A small but thriving sector

FIRST TIME visitors to Monaco are often surprised to find a small but thriving industrial community in the principality. Some 500 small and medium-sized enterprises, some subsidiaries of larger groups, have now established themselves in Monaco where they employ a total of about 5,500 people out of the 21,750 salaried workers of the principality. This itself is an astonishingly high figure if compared with Monaco's overall population of 27,000 inhabitants.

Although Monaco has always been essentially known as an internationally famous tourist resort, Prince Rainier from the beginning has sought to diversify his country's economy by encouraging the establishment of a selective group of small and medium-sized enterprises as well as commercial, trading, financial service and banking concerns.

Companies which decide to establish themselves in Monaco have certain tax incentives such as the absence of corporation tax if they do not do more than 25 per cent of their total turnover outside the principality. But the local authorities are careful to vet companies before granting them the go ahead to set up business in Monaco. "We had, and still have, to choose what we allow in because we do not want to spoil Monaco." explained Prince Rainier.

Monaco has thus selected small, non-polluting, high value added industrial activities so as not to risk compromising its tourist business. Moreover, as there is a premium on space in the principality, owing to the country's tiny size, only selected industries could be housed in Monaco. Nonetheless, the development of industrial activity has been a spectacular achievement considering there was only one industrial company making ceramics and perfumes in Monaco just over 100 years ago.

"What is a peculiar characteristic of industry in Monaco as indeed of other business sectors in the principality is that each one is involved in its own very specific sector. It is therefore difficult to have a global vision. Most of them do not compete in the same markets. One could describe it is a microcosm of a whole series of market niches," explained Mr Patrick Monteau, the president of Monaco's Jeune Chambre Economique or young economic chamber who also works for the Compagnie Monegasque de Banque.

Industry in Monaco includes a large number of chemicals, pharmaceutical and cosmetics concerns which employ about 1100 people in more than 60 enterprises. Plastics processing is another important sector. One Monegasque based company called Silvatrim has become a major supplier of small plastic components to large car companies like Renault, Citroen, Fiat and Volkswagen.

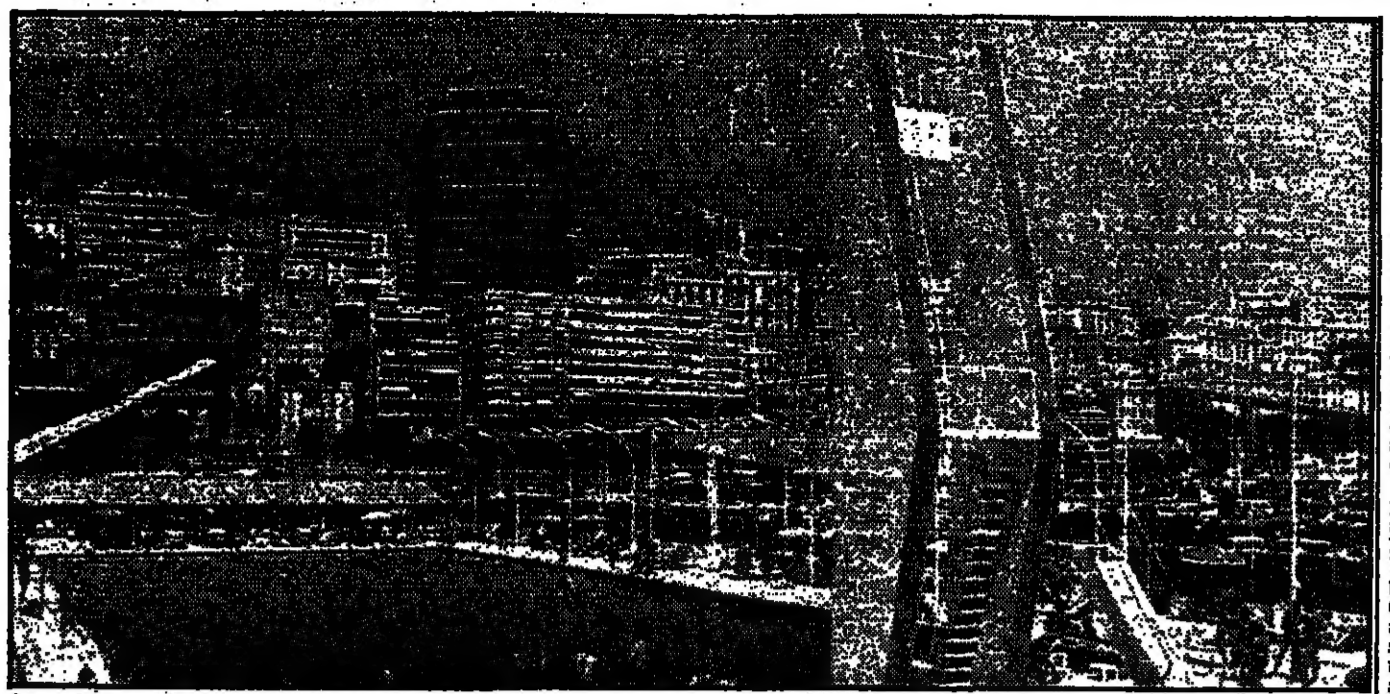
Paper, textiles, clothing is another large sector as are electrical, electronic and other high tech industries. There are also food companies including the anchovy canning concern "La Monegasque" which has gained a worldwide reputation in its field.

The success of Monaco's industrial development efforts are reflected in a few statistics which show that the principality's overall industrial and business turnover has grown from FFr 3.25bn 12 years ago to more than FFr 16bn a year today. Indeed, industry, commerce and services including banks employ 80 per cent of the 21,750 salaried workers of the principality, with the administration employing 10 per cent and the remaining 10 per cent employed by the Societe des Bains de Mer.

A large proportion of these salaried employees also live outside the principality. Indeed, a little over 11,000 or 52 per cent come from neighbouring French communities, while nearly 3,000 come from Italy. Monaco, therefore, acts as an important employment centre for its neighbours.

As part of the principality's policy to prevent industrial activities clashing with tourist facilities, Monaco is now seeking to concentrate gradually all industry in the new quarter of Fontvieille where additional space has been made available for industry and offices. By making sure that industry and tourism are not mingled together, the principality has managed to achieve a successful balance or cohabitation, to use a fashionable team in France, between the two sectors.

The development of industry and an active commercial and services sector has also seen a way for the principality to continue attracting a younger population of business entrepeneurs and well qualified management cadres to Monaco. This policy has helped transform the old image of Monaco as a gambling centre for the rich and idle and given the principality new diversified economic vehicles to offset the ups and downs of the tourist business. Indeed, Prince Rainer, who is regarded by some local residents as the head of a successful business enterprise called Monaco Inc. likes to describe Monaco as a place where you enjoy and entertain yours as well as work in a safe, clean and pleasant environment, "Se distraire et travailler," to quote his French formula.



Space is a rare commodity. Above: high-rise buildings overlook the open-air swimming pool. Picture by Ashley Ashwood.

Building and civil engineering

Ambitious projects under way

FROM THE SEA, the principality of Monaco looks like a mini Manhattan on the Mediterranean. Huke skyscrapers mark the skyline of the tiny country against a dramatic and picturesque background of steep mountains that dominate the blue sea.

Inside the small principality, there seems to be no end to construction work. The sound of drilling and of buildings being pulled down and erected again is as much a part of the daily atmosphere of Monaco as the bus loads bringing tourists to the casino, or the fireworks which dazzle the sky over Monaco most Friday nights in the summer.

Major public works programmes continue to be planned by the Monegasque authorities while demand for flats and offices continues to be relatively sustained. Indeed, the Monaco property market has suffered far less than the French market during the property slump of the last few years.

"The slump was hardly felt here. Prices of flats have continued to fetch between FFr 25,000 a sq m up to FFr 50,000 a sq m and more for prime property," remarked a Monaco-based property agent. With the fiscal and natural attractions which the principality offers, it is not surprising that there has continued to be a steady demand especially from foreign visitors and future residents to invest in Monaco property.

A characteristic of the Monaco property market is that although rents are high, property prices by comparison are disproportionately higher providing a net return on capital of only between 3 per cent to 4 per cent a year. Of late, however, property prices have not risen by the same high rate as in the not-so-distant past.

With space such a rare commodity in Monaco—the principality is barely the size of Hyde Park—it is not surprising that the property developers have built upwards as in Manhattan and the authorities have sought to extend the territory of the tiny country with landfill out at sea.

Two man-made peninsulas stretch out at sea between the artificial beaches of the Monte-Carlo seafront. On one stands the summer sporting club and casino, and on the other an exhibition hall which is now due to be replaced by a brand new one to boost Monaco's business convention and congress facilities.

On the other side of the rock on which Prince Rainier lives in his castle, another even more ambitious landfill project is now virtually being completed after more than 20 years of work. It will add 16 per cent to the country's national territory, bringing two new harbours, a huge sports complex, residential flats and offices as well as new facilities to concentrate the principality's industrial activities in what is effectively an entirely new neighbourhood.

The stadium on the Fontvieille landfill project has a 20,000-seat capacity for spectators, as well as housing numerous other facilities including an Olympic swimming pool and an omnisports hall. The complex is designed to enable the principality to host international sporting events thus helping promote its image internationally, as well as to provide facilities for Monagasque schools and a ground for Monaco's first division soccer club.

New tunnels have been dug under the rock to help the flow of the ever increasing traffic of the principality. A car park has also been dug in the rock to serve the old city and the thousands of visitors who flock every year to see the Oceanographic museum, the cathedral where Princess Grace is buried and the castle of the Prince. Indeed, Prince Rainier is said to have once remarked that the rock had now been transformed into a "Gruyère cheese" with all its holes and tunnels.

The Prince has been the dynamo behind the major constructions programmes that have helped Monaco transform itself during the last 30 years into a city state at the same time preserving its tourist assets. The Prince now says that the days of the high rise buildings are over although renovation and reconstruction of older buildings are bound to go on.

At the same time, Prince Rainier is keen to develop wherever possible green spaces to enhance the overall appearance of his country. Moreover, he is also anxious to preserve the Belle Epoque character of that key piece of real estate around the Monte-Carlo casino where a huge underground car park is now under construction in the casino garden.

As part of this policy to enhance the appearance and quality of life in the principality, Monaco has decided to embark on an ambitious cabling programme to rid the principality of ugly television aerials and improve the quality of transmission and the number of channels for viewers. An even more ambitious project is the construction of an underground railway station for Monaco.

This would provide Monaco with additional space and would make the railway crossing the principality completely invisible by running underground throughout the whole territory. It already goes through a long tunnel which enabled the principality several years ago to develop its artificial beaches and new "bord de mer."

Luxury hotel development

The 'belle epoque' lives on

"WHEN I STARTED on this project lots of bankers said I was crazy to launch into a major real estate venture in a depressed market. But I told them I was in no hurry to sell. The real estate crisis is now nearly over, my hotel is nearly finished and I have already started selling space in the shopping mall and the business offices attached to the project."

Nabil Boustany, a small, lively property developer from Beirut, also readily acknowledges that his decision to buy from the UK's Grand Metropolitan group the Metropole Hotel in Monte Carlo in 1981 reflected above all an old dream to build from scratch a "belle epoque" luxury hotel complex with all the advantages and facilities of the modern technological age.

"I wanted to do something special, not just for commercial or business reasons but also for my own personal satisfaction," said Boustany, sitting in his office on the site of one of the most ambitious hotel projects ever undertaken on the Riviera.

His office was cluttered with plans, paintings, pieces of material and carpet, light fittings, onyx bath taps. From the beginning, Boustany has followed personally every detail of the reconstruction of the Metropole, a venerable institution built in the heydays of Monte Carlo just over 100 years ago but lately in dire need of renovation.

Boustany, like so many entrepreneurs from Beirut who have shown an extraordinary business resilience and persistence despite the tragedy of the Lebanon, had been looking for some time for an opportunity to fulfil his ambition to build a luxury hotel complex inspired in the rococo style and architecture of the "belle epoque."

"I could not do it in Beirut because of the war. I tried to do it in Geneva but the regulations in Switzerland made such a project impossible. Then I found this opportunity to buy the Metropole in Monte Carlo where I came for my holidays," Boustany explained.

After a meeting in London with the late Sir Maxwell Joseph, chairman of Grand Metropolitan, Boustany reached an agreement to buy the Metropole from the British group in 1981. Although the hotel was one of six buildings classified as being of major historical interest in the Principality of Monaco, the Monegasque authorities agreed to allow Boustany to pull down the old hotel and reconstruct a new complex on the same style as the old building.

Boustany was thus able to launch his FFr 600m project hiring architects, artisans and artists from Italy, France and Switzerland to construct his new hotel. He had the facade of the hotel entirely redone in Switzerland. "Lorries brought more than 6,000 pieces weighing between 500 kilos and 12 tonnes from Switzerland where a factory in Lausanne has been working entirely for me during the past two years," said Boustany. The ceramics on the domes of the hotel have come from Alsace, the marble from Italy, and one floor alone, a carpet of marble, has cost FFs 1m. Boustany also commissioned an artist at the Louvre in Paris to paint frescoes and portraits of the princes of Monaco to adorn the hotel's new lobby.

The hotel, which is due to open in December, is a mixture of rococo and high tech. All the bathrooms of the 170 rooms have jacuzzi-type hydro-massage systems installed in the bath tubs as well as a television set facing the tub. Security will be intense to the point that the hotel complex has been equipped with an anti-nuclear shelter, the first such shelter in Monaco. In the hotel garden, a summer and winter swimming pool has been built with a bar which can serve guests in the pool as well as those sitting around on the terrace.

The projects also include 100 flats which Boustany plans to start selling soon. Coupled with the flats is an office block annexe which already houses the Monte Carlo branch of International Westminster Bank and will also accommodate the offices of Olympic Maritime, the shipping company of the late Greek tycoon Aristotle Onassis which is moving from its old headquarters overlooking the harbour of Monte Carlo.

Perhaps one of the most spectacular features of Boustany's development is the shopping mall which will house 118 boutiques. Already the Godiva chocolate group has opened the first shop in the yet to be completed Metropole arcade. Boustany has also built four new underground levels to fit all the machinery and heating and cooling systems which operate the new complex as well as car parking facilities of which the centre of Monaco up to now has been cronically short.

But it is undoubtedly the hotel which is the most interesting aspect of the project. Although some local hotel officials suggest that Boustany may have a hard time making the hotel pay off, the Lebanese developer appears confident. The hotel, he says, has always been, and will continue to be, an important landmark of Monte Carlo and its so-called "golden square" around the famous casino.

It has also always been particularly favoured by the British clientele since the Metropole was originally built in the last century by British businessmen and financiers who decided to invest in Monte Carlo and create the Monte Carlo Hotel Company. Indeed, they acquired the land on which the new hotel is now rising from the Vatican.

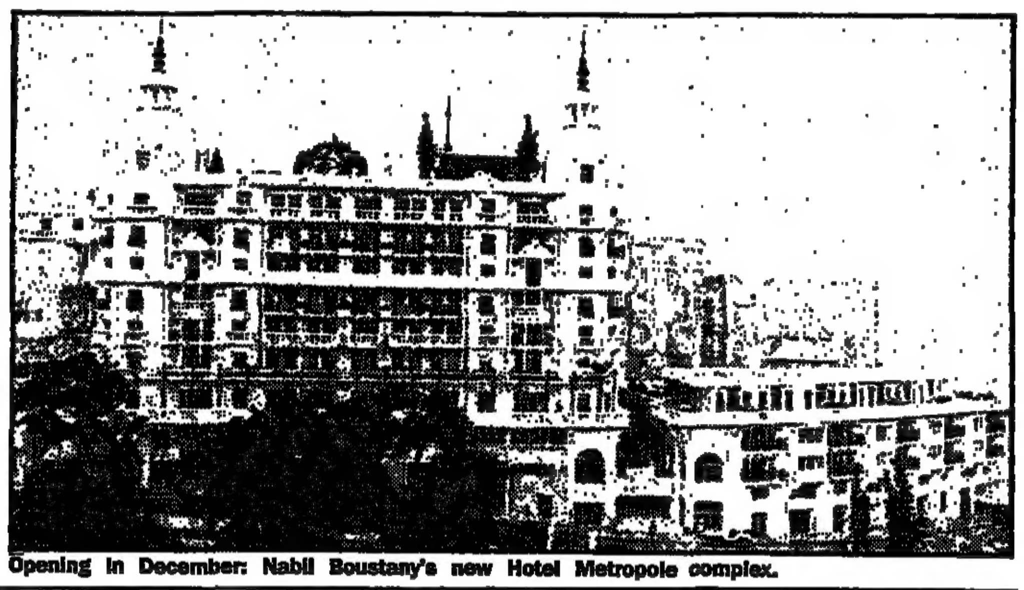
Like its competitor on the other side of the "golden square," the Hotel de Paris, built four years before the Metropole, the Metropole has played host to royalty, grand dukes and tycoons from all over the world. King Edward VII stayed there. Other guests included King Farouk of Egypt and the Grand Duke George of Russia.

Boustany, who has decided to build a special press lounge for passing journalists in his hotel, says that when the Daily Mail proprietor resided at the Metropole during the First World War, he used to receive every day his newspaper which was delivered by a small plane diving over the hotel and throwing down a package containing the Daily Mail as well as the mail for the Principality's Minister of State. During the second world war, the hotel was occupied by the Germans.

With its background and its new facilities, Boustany believes the hotel will prosper. He has recently formed a joint venture company with Conrad International Hotels, the luxury subsidiary of the US Hilton hotel group, to manage the hotel facilities. He also claims that marketing studies have shown that there is still ample room for the development of new hotel space. At present there are about 2,100 rooms in Monaco. "Our experts say that there is room for an additional 2,000 more rooms," Boustany explains.

However, although he claims he does not envisage at present opening gambling facilities in his new complex, Boustany appears to be eyeing the possibility in the longer term of including gambling as an additional attraction, businessmen and local officials in Monaco suggest.

For the moment at least, however, it looks unlikely that he will be able to secure a gaming concession. The monopoly for casino games has just been renewed for a 20-year period to the Societe des Bains de Mer (SBM), the company which owns the casino as well as the majority of the luxury hotels in Monte Carlo and is also 69 per cent-owned by the Monegasque state. But although he will not at this stage at least be competing with the SBM establishments in the gaming business, Boustany will be competing with the SBM in the business of selling "jois de vivre," good food and the fantasy of the belle epoque which the principality is now keen to recreate especially around the "golden square"—or "camembert" as the locals call it because of its cheese-like shape—of Monte Carlo.



Opening in December: Nabil Boustany's new Hotel Metropole complex.

A new image emerges

Continued from page 1

economy into other sectors such as services, and small, high value added, non-polluting industries.

From the beginning, Prince Rainier has not wanted "to put all the eggs in the same basket" and has sought to diversify the economy from tourism which still accounts for 25 per cent of Monaco's gross domestic product. Thus Monaco is pursuing its successful policy of developing its business convention and congress sector, offering new attractions in the arts, sports and leisure fields as well as traditional classic events like the Monte Carlo Rally or the Formula 1 Grand Prix, and promoting the pricipality in new markets.

The slump in American tourists last year badly shook the principality's tourist business and underlined the frail nature of tourism as an economic activity. For this reason, the Monegasque authorities have been keen to diversify into new sectors to turn Monaco into a 12 month a year resort with an affluent population of local residents who work in the principality.

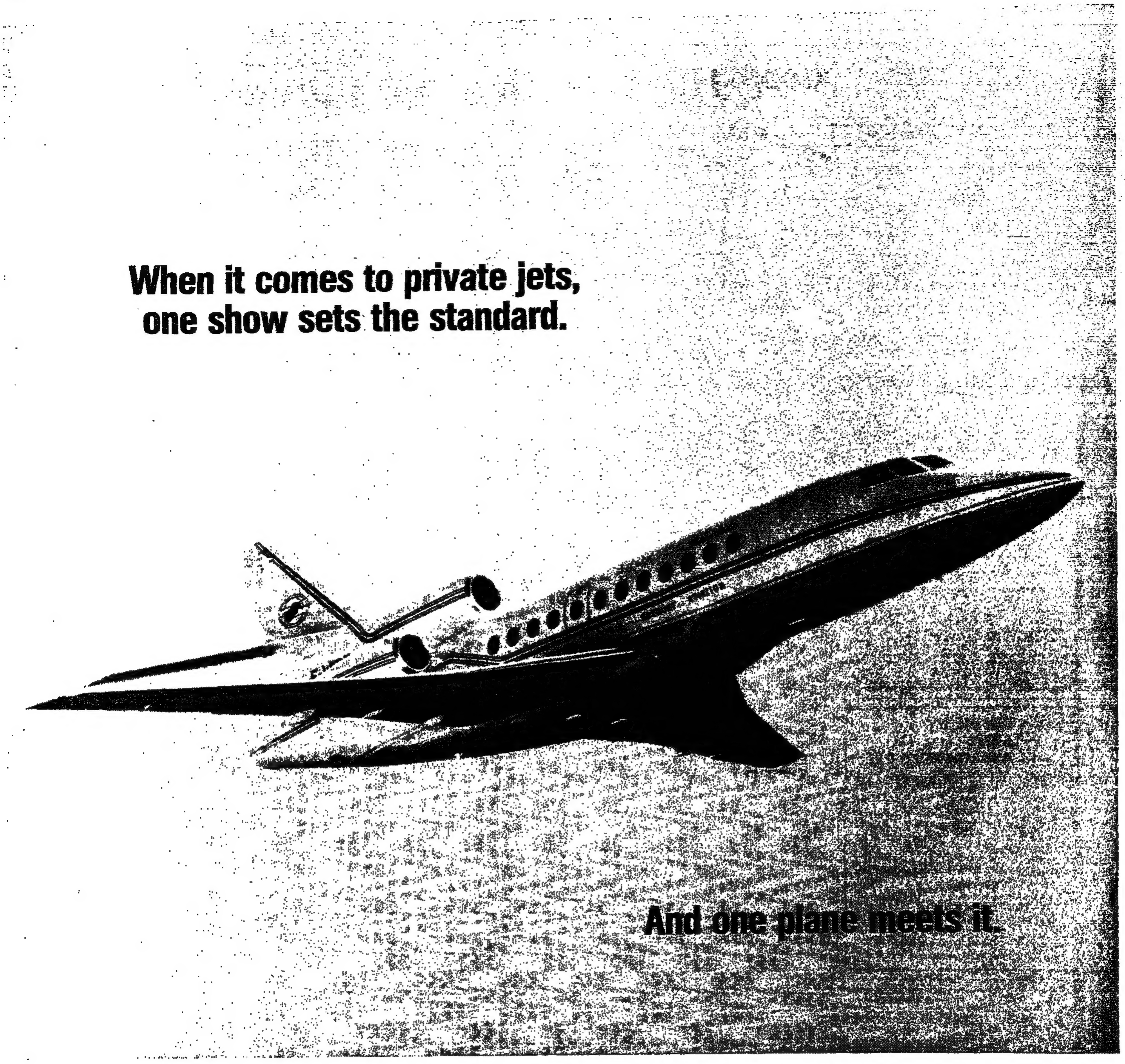
At the same time, the principality is pursuing its ambitious public works programmes to make the best use of the little space it has. Yet, Prince Rainier also wants his country to retain its special Belle Epoq flavour and atmosphere, which distinguishes the principality from other resorts.

There is also these days little talk of the succession in Monaco. After the tragic death in a car accident in 1982 of Princess Grace, (who played a critical role in giving the principality prestige and world renown), there had been speculation that Prince Ranier would step down to make way for his son Albert.

But Prince Rainier, who will be 64 this month, shows every sign of wanting to go on with his task of managing his small country. People, he claims, make too much of the succession issues.

"Albert sits at meetings with the government, with myself, with the cabinet. He follows through projects. We have agreed with each other that he will take over when he feels he's ready and when he feels he knows the organisation, the system, how it works, and when I also feel he is well armed to be in the position. It's a sort of mutual agreement," he said.

And consistent with the apolitical image of stability and safety he has sought to give his little country, Prince Rainier added that there was nothing urgent about the succession—"It's nothing dramatic. It's something which will come very smoothly and very easily."



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